for independence

Friday December 1 1989

NOTE IMPLICATES RED ARMY FRACTION • KOHL PAYS EMOTIONAL TRIBUTE

Deutsche Bank chief murdered

D 8523A

#### World News Gorbachev

### proposes Helsinki summit

President Mikhall Gorbachev. the Soviet leader, responded to the upheaval in Eastern Europe with a call for a sumeting of all 35 nations involved in the Helsinki process to be brought forward to 1990, in effect to lay the foun-dations for his vision of a "common European home."

Czechs open border Czechoslovakia is to open its southern border with Austria dismantling another section of the Iron Curtain between East and West. Page 16

#### Beirut standoff The military standoff in Beirut continued with the Israeli and

French governments warning Syria against attacking the Christian enclave of General Michel Aoun. Page 2 **UK secret funds row** 

The UK Government was plunged into controversy over its sale of the Rover Group to British Aerospace, as it was forced to admit that it had made secret financial conce sions in the deal to BAe. Page 16; Background, Page 7

Delors EC advice Enlarging the EC much beyond its present 12 members had to entail an increase in supranational decision-making, Mr Jacques Delors, the Commis-sion president, said. Page 3

Slav tensions grow Psychological warfare between Serbia, Yugoslavia's most populous republic, and the small, prosperous Western-orientated republic of Slovenia is escalat-

**US evacuation** Dependents of US embassy officials in El Salvador were

evacuated. Page 2 Irish bar attack

A Catholic bar owner and one of his customers were killed when gummen horst into a Northern Isoland puh, the Loy-alist sectorian Ulster Volunteer Force claimed responsibility.

### Aidington award

Lord Aldington was awarded record libel damages of £1.5m by a High Court jury over accusations that he had been a war criminal. The award was made against Count Nikolai Tolstoy, an historian, and Mr Nigel Watts, a property developer. Page 7

SA murder arrests A former narcotics detective suspected of involvement in the murder of Dr David Webster, an anti-apartheid activist, and Dr Anton Lubowski, a Swapo member, was arrested

by SA police. Page 2 Lee wins libel case A Singapore court found the Far Eastern Economic Review magazine guilty of libelling Mr Lee Kuan Yew, the Prime Minister, and ordered it to pay \$\$230,000 (\$118,009) damages. Page 2

E Berlin regrets '68 East Germany expressed regret for its part in the 1968 Warsaw Pact invasion of Czechoslo-

Port action writs

Greenpeace, the environmental group, may face legal action from companies harmed by its six hour blockade of Amsterdam port.

Manila coup reports Philippine army rebels were reported to have occupied part of a Manila air base in an apparent coup attempt against President Corazon Aquino.

Picasso for \$49m Pablo Picasso's Les Noces de Pierrette sold for \$48.9m to a collector bidding via satellite from Tokyo.

#### **Nestlé links** with General Mills to take on Kellogg

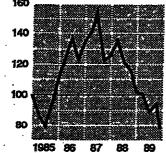
group Kellogg. Page 17

Eastern interest in the UK equities market; turnover also improved but remained within recent averages. London Stock Exchange, Page 31

BANKING; The parent banks of Scandinavian Bank, 15th largest UK bank by asset size, surprised the London market

gest plasterboard manufac-turer, said it was considering asking the EC to investigate

Share price relative to the FT-A Alf-Share Index



allegations that one of its two main UK competitors has been dumping imported plaster-

SAATCHI & Saatchi, troubled communications group, is believed to be negotiating the sale of Gartner Group, one of its larger US consultancy com-panies, to Cap Gemini Sogeti, French computer services com-pany, for \$100m. Page 17

MANNESMANN. West German engineering group which has a 5 per cent shareholding in TI Group of the UK. announced plans to buy a majority stake in Krauss-Maffei, German armaments group. Page 18

**DEFENCE:** France and West Germany signed a DM1\_9bn (\$1.06bn) joint developmen contract for a series of combat helicopters to equip their armies at the end of the 1990s.

CO OP, troubled West German retailer which drew back from the brink of bankruptcy in September, expects a reduced operating loss this year and

a recovery in 1990. Page 18 NORWAY may join the European Monetary System (EMS) even if its fellow members of the European Free Trade Association decide not to do so. Page 3

AEROSPACE: The four top Western aero engine manufac turers have applied to participate in a Japanese-sponsored supersonic engine development programme. Page 6

MITSURISHI Klectric, Japanese electric machinery maker, reported a 65 per cent increase in consolidated net profit to Y35.7bn (\$250.5m) as domestic economic growth fuelled profits. Page 21

STORA, Swedish paper, packaging and building materials group, is to buy the outstanding 75 per cent of De forenede Patirfadrikker (DfP), Danish fine paper group, for DKr510m (\$70m). Page 18

TRADE: The EC and the US diverged sharply on how to curb government subsidies that distort competition in international trade. Page 6

INSTITUT Merieux, Rhône-Poulenc pharmaceuticals subsidiary, has almost certainly won the battle for Connaught-BioSciences, Canadian vaccine producer, Page 20

#### Business Summary

MR ALFRED HERRHAUSEN, the chief executive of Deutsche Bank, was brutally murdered NESTLE, Swiss foods group, and General Mills of the US are joining forces for an attack on the world market for break-fast careais dominated by US yesterday in a bomb attack which raised the spectre of ter-rorist violence just as the two Germanys are going through the most hopeful period in the most noperul period in their post-war history.

The head of West Germany's largest commercial bank was killed by a remotely-controlled bomb as he was being driven to work at 8:30 in the morning

THE FT-SE 100 ended up 21.1 points at 2276.3 points, due to some signs of selected Far in his grey armour-plated Mer-cedes through a quiet, leafy street in the spa town of Bad Homburg near Frankfurt.

by making a cash offer to convert it into a privately-owned group. Page 17

BPB Industries, Europe's big-

chief executive, said the dread-ful crime "was clearly directed against our whole political, social, and economic system."

It was a tragic blow for the Frankfurt-based Deutsche Bank in a week when it had pulled off its biggest ever investment coup by agreeing the \$950m takeover of Morgan Grenfell, the UK merchant bank. The British bank said yesterday that the deal would go ahead.

The death of Mr Herrhause aged 59, one of Germany's most prominent business per-

sonalities, shocked bankers, politicians, and industrialists

across Europe.

Daimler-Benz, the industrial group of which Mr Herrhausen

was supervisory board chairman, reacted with "deep consternation."

Mr Edzard Reuter, Daimler's

By Andrew Fisher in Frankfurt and David Marsh in Bonn

The murder was the latest in a long series of killings of Ger-man politicians, officials, and businessmen that has lasted since the days of the Baader-Meinhof terrorist gang in the

The last fatal attacks, how-ever, were three years ago, the victims being Mr Karl-Heinz

mens, the German electronics group, and Mr Gerold von Braunmühl, a top Foreign Ministry official.

Police believe that the kill-ing was the work of the extreme left-wing terrorist group Red Army Fraction (RAF). They found a note near the scene, with the inscription reading Kommando Wolfgang Beer and the star and Kalshnikov rifle insignia of the RAF. Beer died in a car crash nine

years ago and was the brother of Henning Beer, sought by the police since 1985 as a suspected RAF member. Police later said

Alfred Herrhausen, chief executive of West Germany's largest con they had found a white Lancia car which is thought to be the bombers' escape vehicle.

Mr Gerhard Boeden head of the West German domestic anti-terrorist agency, said on West German television last night that Mr Herrhausen knew for "a long time" that he was one of the most endangered people in the Federal Republic. However, he denied a magazine report that there had been a recent "concrete warning" of an assassination

Mr Boeden said he did not

At times, it seemed the

der had been planned in loose co-operation with the Italian Red Brigades terrorist group. Mr Herrhausen's killers had carefully planned their assault. The bomb exploded precisely by the side of the car as it drove over, leaving his 62-year-old-driver alive, although badly injured. The bodyguards

rcial bank, who was murdered yesterday near Frankfurt

in the accompanying two secu-rity cars were unhurt. After the attack, the wrecked car lay slewed across Seedam-weg, the road where the bomb exploded, between Bad Homburg's thermal baths and a car From behind the police cor-don, the bonnet and boot cov-ers could be seen pointing macabrely to the sky. The radio aerial was intact. Mr Wolfgang Schaeuble, the

West German Interior Minister, interruped a parliamentary debate on the 1990 budget to announce the murder to a shocked Bundestag. Politicians and officials in

Bonn were numbed by the news of Mr Herrhausen's mur-der, which dramatically punctured the mood of optimism in the capital after the last few

eastern Europe. Chancellor Helmut Kohl, who had known Mr Herrhausen for a decade, paid an emotional tribute to the murdered man after hearing of the assassination on the way to hold a speech to Düsseldorf industri-alists.

The audience stood in silence as the Chancellor praised Mr Herrhausen's accomplishments - especially on building economic bridges to eastern Europe - and underlined the value of his "friendship and advice."

Mr Kohl later cancelled all sole Mr Herrhausen's widow. Mr Karl Otto Pöhl, president of the Bundesbank, the Ger-man central bank, said that Deutsche Bank and Germany

had lost "a leading personality from whom much was still to The murder drew statements of dismay from all the Bonn parties, including the Greens ecology grouping who had been prone to see Mr Herrhausen and the Deutsche Bank as symbols of uncontrolled capitalist power.

Mr Hans-Jochen Vogel, leader of the Social Democrats, condemned the "cowardly mur-der," while Mr Otto Lam-sbdorff, chairman of the Free Democrats, called it "a barba-rous and brutal attack."

Mr John Craven, the chairman of Morgan Grenfell, said yesterday that he was deeply shocked by the murder but he stressed that the top management of Deutsche Bank was a partnership and that this would ensure that there was continuity of policy.

Feature, Page 14, Background,

## Man of vision and philosophy who became target

By Andrew Fisher in Frankfurt

ALFRED HERRHAUSEN became a terrorist target because he embodied the financial and industrial might of Europe's biggest economy. As Germany's most promi-

nent banker, his influence reached deep into the political, business and social life of his country, and beyond. His readiness to speak out loudly and provocatively on subjects as various as the power of banks, the Third World and German reunification ensured that he earned both the respect - and hatred - that go vith power. years – to live forever without In his last conversation with a national identity."

the press the day before he died, he gave a wide-ranging summary of his views on all these as well as the future of Deutsche Bank, of which he had been sole chief executive since May, 1988.

He was forthright on the touchy subject of whether the two Germanys should be reunited, "Yes, it is desirable and inevitable," he said. He recalled a reply he had once given on British television: "History will never allow a great nation - notwithstand-

banking stage was too small for Mr Herrhausen. In his desire to express himself deeply and philosophically on all manner of issues, including ethical ones, he sometimes strayed far from the business of his own bank, a tendency which ruffled the feathers of Like most German business

people, Mr Herrhausen kept his private life very much to himself. In line with his serious approach to public issues, he once replied to a question about his leisure activities: "When I have the time, I like ing the (Nazi) terrors of 12

to read books on philosophy." When young, he exchanged letters with Herman Hesse, the author of Steppenwolf.

Associates say he could relax and laugh almost youthfully when talking to students or trainees. He avoided social events, especially grand balls, though he did go to concerts. He kept fit by cycling, also skiing and, for the sake of his 11-year-old daughter even surf-

11-year-old daughter even surfing on holiday.

His working style was highly disciplined. He drank little, ate sparingly, and never smoked. Thus he looked younger than his 59 years.

"Thank God I can always sleep. I have very good peace of mind," he once said. In past months, however, responsibility seemed to weigh heavier on him, giving his still youthful appearance a slightly more grizzled aspect.

Mr Herrhausen's broadbrush approach to life was guided West Germany's biggest Bank.

"Strategy begins with a vision." he said speaking

The Morgan Grenfell deal, which he announced in Lon-don on Monday, was aimed at putting more muscle into the West German institution's investment banking, where styles are very different and more freewheeling than in the commercial banking sector.
"We need the Anglo-Saxon culture of intermediates."

ing," he said.
"That is why we are glad and congratulate ourselves on the acquisition of Morgan Grenfell. It is not a contradic

Continued on Page 16

### Ferranti sues former deputy chairman, associates for \$198m

By Hugo Dixon and Richard Donkin in London

FERRANTI International Signal yesterday sued Mr James Guerin, its former deputy chairman, and three of his associates for \$198.5m which it says was fraudulently siphoned from some of its sub-sidiaries.

A writ issued in the High Court in London identified the claim as part of \$443.6m paid by ISC Technologies and ISC London between February 1984 and July 1989 for three allegedly fictitious arms contracts. The contracts were revealed to be missile systems deals with the United Arab Emirates, Pakistan and China.

The three executives named in the writ with Mr Guerin are Mr Robert Shireman, Mr Lawrence Resch and Mr Wayne Rad-cliffe. They are being sued together with five Panamanian companies, all dissolved, which fulfilled the role of middle men: Sestri Associated, Tech-nology Associates Interna-tional, Elverton, Navarino

Mr Shireman, who was finance director of ISC Technologies, left the Ferranti group in July. Mr Resch and Mr Radeliffe are former executions of ISC.

tives of ISC. Ferranti made clear that the writ against Mr Guerin, his associates and the Panamanian companies was likely to be only the beginning of a legal battle to try to recoup money it says it has lost as a result of

and products involved in the allegedly phoney contracts. The named contracts are: Supplying missile system technology, a technical facility and a test range between 1986 and 1989 to Pakistan. The con-

The writ details for the first time the customers, suppliers

tract was codenamed KP for Khyber Pass.

● Sale of Hakim air-to-ground missiles to the General Head-quarters of the United Arab Emirates in 1984. In addition to this allegedly fake contract, ISC apparently had a genuine

contract to supply Hakim mis-

 Supply of Equipment and Technology to Norinco, the China North Industries Corporation. This contract is described as for AGM equipment, which is believed to mean air-to-ground missiles.

Also named in the writ but not being sued is Bosque Rosa, an unidenitified company. In addition to the restitution of the \$198.5m, Ferranti is claiming damages against the defendants for alleged fraudu-lent misrepresentations over a

six-year period to 1989. The executives have also been asked to account for any profits made with the funds they are said to have abstracted, to divulge the names of anyone else involved what Ferranti describes as a dishonest and fraudulent scheme and to pay compound

The writ says that, although the five Panamaniam compa-nies have been dissolved, they can still be sued under Panamanian law.

#### CONTENTS

One ballot UK Tory MPs think the party cannot win

Development Corporation and



Lerwick Holdings.

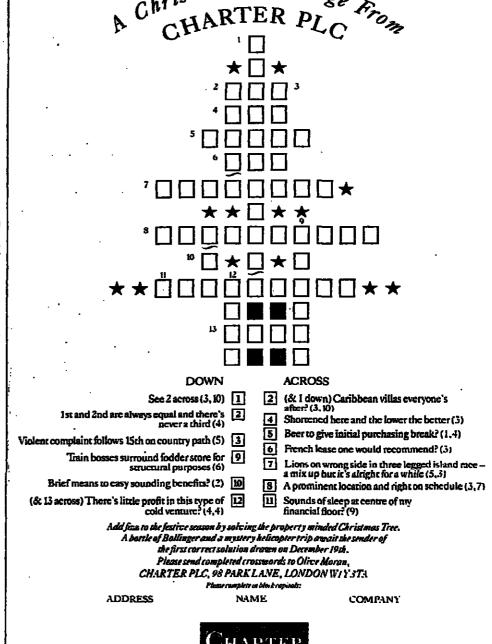
If Sir Anthony Meyer's candidature for the leadership of the UK garners enough abstainers to indicate a party solit, its MPs can be torgiven tor believing it to be one ballot the party cannot

Agriculture ... Arts-Reviews World Guid 9,10 30 38 38 38 14 38 Taiwanz Old guard forced to face new issues ahead of tomorrow's election .. UK power generation: Difficult birth for Technology: Electronic surveillance helps retailers to fight shoplifters

Management: When centralisation has a demotivating effect ... Editorial comment: Japan's new multinationals; Tragedy in Ethiopia ... Lombard: The two faces of the European Community.

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shortly after Deutsche Bank had agreed its biggest deal ever, its £950m takeover of tion (in cultures), it is an enrichment." Morgan Grenfell. A Christmas Challenge From CHARTER PLC



#### MARKETS

STERLING New York kenchtle \$1.5697 Lendon: \$1.569 (1.587) DM2.7925 (same) FFr9.525 (9.53) SFr2.495 (2.4875) Y224.25 (223.25) £ Index 86.4 (86.0) **GOLD** 

FFr6.0885 SFr1,5905 FFr6.07 (6.081). SFr1.5905 (1.588 Y142.90 (142.50) New York: Comex Feb \$417.5 (415.5) \$ index 68.9 (same) Tokyo close: Y142.90 US LUNCHTIME RATES Fed Funds 8,2 % \$410.0 (412.25) M SEA OIL (Argus) 3-mo Tressury Bills: yield: 7.835% Brent 15-day Jan \$18.425 (+0.375) Chief price changes yesterday: Page 17

Long Bond: 10233 yleid: 7.901%

1,138.67 (+0.8%) New York lunchti 2,700.09 (+11.31) S&P Comp 344.75 (+1.15) Tokyo: Nikkei LONDON MONEY Liffe long gilt future: Dec 90 🚣 (same) MARKET REPORTS: CURRENCIES, Page 38; BONOS, Pages 22, 23; COMMODITIES, Page 30; EQUITIES, Pages 31 (London), 39 (World)

DOLLAR STOCK INDICES New York DM1,7795 FT-SE 100: 2,278.8 (+21.2) 1,805.6 (+23.9) FT-A All-Share:

> 37,268.79 (+247.33) ciosing 1532% (same)

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Letters ...

CHARTER

(£75,500) damages, Reuter writes from Singapore.

Justice L P Thean said Mr Lee was entitled to aggravated damages against the Hong Kong-based publication herauses of "servese melica" by because of "express malice" by the defendants and the conduct of Mr Geoffrey Robertson, their

lawyer, during the trial.

The case stemmed from an article in December 1987 dealing with arrests earlier that year of 22 people, mostly lay church workers, for alleged involvement in a Marxist plot to subvert the Government. Mr Lee had sued over the article, which he would be unconstanted diswhich he said suggested dis-honourable and discreditable

conduct on his part. The magazine had argued the article was true and based on information supplied by Fr Edgar D'Souza, a Roman Catholic priest. Justice Thean said the defendants assumed Fr D'Souza's information was true, but it was not. "No attempt was made...to verify the facts or matters provided by D'Souza," he added.

The judge said Mr Derek Davis, the Review editor, had shown in earlier articles "a state of mind which was wholly antagonistic towards the plaintiff and his govern-

The material from D'Souza about six months later pro-vided him with an opportunity to publish an article deroga-tory of and denigrating to the plaintiff and his government." No apology or retraction had been published by the Review, and Mr Robertson's conduct during cross-exemination of Mr Lee "exacerbated the hurt to the plaintiff's feelings and the damage to his reputation", Jus-tice Thean said in awarding aggravated damag

gravaten damages. Singapore has long had a stormy relationship with the Review and the magazine's cir-culation in the island state is now severely restricted over allegations that it was interfering in domestic politics.
Singapore has also restricted

circulation of the Asian Wall Street Journal, like the Review part-owned by America's Dow Jones and Company.

The Singapore correspondent of AP-Dow Jones news agency was recently denied an extention of his work visa. His designation of his work visa.

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8830-8831

### Taipei's old guard forced to face new issues

Taiwan votes tomorrow in an election which has altered the political landscape, writes John Elliott

OUDSPEAKER trucks are blaring their politi-cal messages round cities and villages. A stripper is standing as a Labour Party candidate pledged to "fight fists with breasts". Talpel's NT\$240bn (25.9bn) casino style stock market is behaving like a yo-yo. There have been alleged political shootings and rumours of millions of dollars being withdrawn from banks

to bribe voters. Taiwan's first significant, though far from fully demo-cratic, elections are under way in an open style which was not possible till martial law was ifted two years ago. Tomorrow
a 10m-strong electorate will
vote for a total of 722 candidates competing for 293
national, provincial and city assemblies, and 21 mayoral

posts.
The results will not change the Government, headed by President Lee Teng-hui, and the ruling Kuomintang party will continue its 40-year-long held on power But the relit. hold on power. But the politi-cal scene in Taiwan has been irretrievably changed during the campaign and the main opposition grouping, the Demo-cratic Progressive Party, is emerging as a significant polit-

ical force.

Now the Kuomintang Government will have to act with more firmness of touch than it has shown in recent months in order to accommodate a grow-ing debate about democratic

By Lara Marlowe in Beirut

THE military standoff in

Beirut continued yesterday with the Israeli and French

governments warning Syria against attacking the Christian enclave of General Michel

Gen Aoun still refuses to

accept the Arab League peace plan agreed by Lebanese MPs in Talf, Saudi Arabla, because

it allows Syrian troops to stay

in Beirut for the next two years and in eastern Lebanon for longer. Ironically, his rejection of the accord has

prompted a massive

redeployment of Syrian troops

and armour around the capital this week.

From the Lebanese army barracks at Ablah in the

eastern Bekaa valley, Mr Elias

Hrawi, the Syrian-backed Christian President who

replaced the assassinated Mr

Rene Moawad, promised to use all possible means to evict Gen

Taipei's stock market Taipel's stock market unexpeciedly plunged by 2.4 per cent yesterday when the local weighted index fell from 9630 to 9402 after peaking at 9826 in early trading. This was despite a government that ment announcement that a controversial shares transaction tax, which helped push the market down earlier in the week, would be recommended to the Legislative Yuan at a low level of 0.6 per

reform and freedom of speech.
The debate has built up during
the campaign around a more
impractical issue of whether
Taiwan should unitaterally declare independence from China. This could grow into a problem if the Government resists political reforms. "The issue of independence

is being raised as a means to obtain democracy, which is what Taiwan needs," says Mr Antoinio Chiang, a leading political analyst and magazine editor. "All the talk in the past weeks about independence stems from frustration with the existing political struc-

Taiwan already enjoys de facto independence and the strengths which come from being the world's 13th largest trading nation with an econ-omy growing at over 7 per cent a year. Annual per capita income for the 20m population

France and Israel warn Syria

palace at Baabda.

"You have killed the president of the republic and attacked the property of parliamentary deputies," Mr Hrawi said. "These attacks will

not go unpunished."
Like the US, France has

asked Mr Hrawi and his Syrian

allies to refrain from using violence to oust Gen Aoun. But

unlike the US, the French government has stopped short of asking Gen Aoun to accept the consequences of Taif and

step down.
The French warship Orage is

reported to have left Toulon for

Lebanese waters, and Dr Selim al-Hoss, Mr Hrawi's Prime

Minister, accused France of "blatant intervention" on

behalf of hardline Maronite

Gen Aoun's invitation to

France to mediate a compromise between himself

Christians.

Aoun from the presidential here as a sign that both he and in the Mediterranean.

**MILITARY STANDOFF CONTINUES IN LEBANON** 

foreign exchange reserves exceed \$73bn.

But Peking still claims that Taiwan is a province of the mainland and in the past few days it has implicitly repeated threats to invade if independence were declared.

Taiwan's old Kuomintang leaders, who fied from Peking in 1947, still believe they are the rightful rulers of all China, and the Government insists that it will one day reunite the country under a non-Communist

To help perpetuate this myth, old Kuomintang leaders myth, old Kuomintang leaders have insisted on staying in power, dominating government institutions. In the Legislative Yuan, part of parliament, these alling elders (or "old thieves" as Mr Tsai Shih-Yuan, deputy secretary general of the DPP, calls them) have about 146 seats; only 101 are up for election towerows.

Even the 101 are not fully democratic because 18 of them are for occupational constituencies which up to now have been Kuomintang-dominated. A further 29 seats are reserved for Kuomintang-appointed Chinese living overseas. This brings the parliament's total to 276, of which the DPP does not expected to fill more than 18 to 22 seats after the elections if it achieves its target of achieving 30 to 35 per cent of all the votes

his French protectors would

now accept autonomy for the Christian region under Gen

Aoun's control, renouncing the long-held goal of driving all Syrian troops from Lebanon.

In the speech in which he promised to defend the

Christian enclave against a Syrian attack, Mr Samir Geagea, the leader of the Christian Phalange militia, did not once mention Gen Aoun by

name. He has not so much

rallied to the general as remained constant to the

Phalange's raison d'être

- preserving "every inch of territory in the eastern region, every citizen, house, institution, mother, child and

If the military build-up

results in a Syrian onslaught, Gen Aoun would like it to take

place during the December 2-3 Bush-Gorbachev summit which

to be held on two warships

farmer"

elders to retire but they have enters to retire but they have not done so. Their intransi-gence has made people more impatient with the lack of full democracy. This has polarised around the independence issue, which has emerged as the most talked about subject in the election campaign, even though only a small minority of the population is actively

It has been raised as a campaign slogan by a small New Country Alliance wing of the DPP, despite sedition clauses under the constitution which ban public discussion of the

Ironically it has also been raised by Kuomintang speakers at meetings, partly to deflect attention from other

deflect attention from other issues such as the country's lack of democracy, and partly to undermine the DPP.

The implicit suggestion is that the DPP, by harbouring its independence wing, is damaging public order and therefore is somehow responsible for escalating crime and violence which itself is the most lence, which itself is the most important real issue in the ection campaign.

Nevertheless Taiwan is mov-

ing further towards democracy than any other Chinese country. "No other Confucian society has gone so far, and the DPP is the first loyal opposi-tion party, in a western sense, in a Chinese society," says Mr Chiang.



Protesters outside the US mission in Taipel object to the arrival of Representative Stephen Solarz to observe tomorrow's poll in Talwan

#### Rabin emphasises right to protect vital interests

By Hugh Carnegy in Jerusalem

MR YITZHAK RABIN, the Israeli Defence Minister, told MPs yesterday that Israel was monitoring particularly "the Syrian intention to carry out a show of force".

Mr Rabin said Israel sought to avoid military intervention itself, but reserved "the freedom of action and response if our vital interests are endan-

While clearly concerned that an attempt to oust Gen Aoun by force could upset the recent balance of forces in Lebanon, where Israel occupies a "secuwhere israel occupies a secu-rity zone" to protect its north-ern border, Israeli officials deny that they are prepared to come to the aid of the Christian leader.

Israel Radio reported yesterday that Gen Aoun had been in frequent contact in recent days with Gen Antoine Lahad, the leader of Israel's local surro-gate force in southern Lebanon, to seek Israeli help in pre- 1985.

venting a Syrian attack. But an Israeli defence official said: "Obviously Aoun would try to create the impression that Israel would intervene. Israel is not about to be drawn into

Maj Gen Avihu Bin-Nun, the Israeli Air Force chief, did, however, warn against unwanted confrontations" between Israeli fighter aircraft, which regularly patrol the Leb-anese skies, and Syrian jets which he said had in recent days broken their custom of staying out of the

Israel's command of the air, coupled with its control of southern Lebanon, is a key element in the unwritten understanding with Damascus by which Israel has tolerated Syria's political and military dominance over most of Lebanon since withdrawing most of its own forces in

#### **Boat-people** return to Vietnam

Hong Kong

A GROUP of 130 Vietname host-people flew back to Handl from Hong Kong yesterday, the sixth group to return home under the colony's voluntary repatriation programme.
A total of 630 boat-people

namese have already volun-teered to return under a United Nations High Commis-sion for Refugees programme, and Hong Kong officials hope that once compalsory repatria-tion gets under way, more will decide to go voluntarily.

Of the boat-people in Hong Kong, 44,000 arrived after a screening policy to sort out genuine refugees from economic migrants was introduced in June last year.

tional opposition, members of Hong Kong's Legislative Council continued strongly to support mandatory repatriation for the remainder during a debate earlier this week.

PA adds: Emigration from Hong Kong has reached record levels because of uncertainty over the nationality issue, a new report says today.

crisis of confidence is having a "catastrophic effect on business and services."

It also accuses the British Government of inaction which

By Michael Marray in

have now voluntarily gone back to Vietnam since the first flight took place in March. But with 57,000 Vietnamese in Hong Kong the authorities intend to press on with a forcible repatriation programme which has strong support

among the Hong Kong public.
An additional 1,000 Vietnamese have already volum-

Only about 10 per cent are expected to qualify for refugee status, and, despite interna-

At least 55,000 people are expected to leave the colony by the end of the year, according to a report by the Joint Council for the Welfare of Immigrants which warns the

it claims has lead to widespread insecurity.

#### hold man over killing of activists By Jim Jones in Johannesburg

SA police

THE South African police have arrested a former narcotics detective suspected of involvedetective suspected of involve-ment in the murder in Johan-nesburg on May 1 1989 of Dr David Webster, an anti-apart-heid activist, and of Dr Anton Lubowski, a leading member of Swapo, in Windhoek on Sep-tember 12.

The man, Mr Ferdi Barnard, The man, Mr Ferdi Barnard, had been on parole after serving part of a six-year sentence for killing a police suspect and was detained some weeks ago. His arrest was made public after his father had unsuccessfully applied to the Pretoria supreme court for his release. supreme court for his release. The police requested his name be kept secret.

Mr Barnard's arrest and that of Mr Donald Acheson, an Irishman detained in Namibia in September on suspleion of killing Dr Lubowski, appear to corroborate speculation that the police have uncovered an organisation which hired killorganisation which hired killers to assassinate left-wingers. Neither Mr Acheson nor Mr Barnard appears to be particularly politically aware and neither is believed to have planned the killings.

Late yesterday it was not clear whether the rumoured assassination group was connected to the alleged police

nected to the alleged police death squads disclosed two weeks ago by self-confessed former members of the squads. On Tuesday evening Mr Tim On Tuesday evening har Initial McNally, the attorney general of the Orange Free State, completed his investigations into the death squad allegations and passed his report to president FW de Klerk is under consid-

erable pressure to appoint an independent judicial commis-sion of inquiry into the death squad allegations and he has promised investigations will be pursued vigorously.

In recent years South Africa's security forces have become something of a law unto themselves, particularly as the influence of security officials flourished during Mr

1.11

PW Botha's presidency.
However, Mr de Klerk is gradually reducing their power and he this week announced the dismarding of the National Security Management System (NSMS), a shadowy bureau-cracy headed by selected cabinet members and senior members of the police and military which had acquired responsibility for managing large parts of the country.

The downgrading of the

security officials' influence is designed to restore line condesigned to restore line con-trols to responsible cabinet ministers and is seen as a pre-cursor to the lifting of the 43-month state of emergency.

Most representative black South Africans, including ANC leader Nelson Mandela, who Mr de Klerk hopes will take part in negotiations on the country's future, have demanded the lifting of the emergency as a pre-condition for talks.

#### Separatists kill three

Rebels killed three policemen in an ambush on Papua New Guinea's copper-rich Bougain-ville island, dashing hopes of a quick peace settlement, gov-ernment officials said yesterday, Renter reports from Port Moresby. The attack a few miles from the country's larg-est copper and gold mine, shut down since May, was one of the most content in the large the most serious since a rehel-lion lead by militant landowners erupted 11 months ago.

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### Islamic law upsets Malaysian Chinese

By Lim Slong Hoon in Kuala Lumpur

THE VARIED racial parties that make up the Malaysian government are like a political stew constantly on the boil. Occasionally it bubbles over. It happened again this week when eight Chinese state legislators all threatened to resign

at once. They have submitted resignation letters to the Selangor state legislative assembly. And if they stick to their word, the crisis they have stirred up will endanger not only the state government but the National Front parliamentary coalition

The assemblymen's grouse is a touchy issue; it concerns the Islamic law passed in July by the nominally secular assembly under which children can be converted to Islam on reach-

close at hand.

independent Eritrea.

President Mengistu Halle Mar-

Eritrea, roughly the size of

England, stretches along the Red Sea to the north of Ethio-

pia. Formerly an Italian colony

lam as "bandits".

maturity begins at puberty, a definition at odds with the Constitution which gives parents the right to determine the religion of their children under

The bill was passed with, apparently, the acquiescence of the assemblymen from the Malaysian Chinese Association (MCA), the second largest partner in the state and federal coalition. The major party in the coalition is the United Malays National Organisation (Umno), which has 15 members in the 32-member assembly.

There are 15 non-Moslems.

The MCA ultimatum is that they will quit unless the offending law is amended by mid-December. Dr Mahathir Mohamad, the Prime Minister, said the threat was blackmail. ing maturity. Under Islam Even the national leadership of

the MCA was surprised by their representatives' move, as previous talk had been of resolving the controversy qui-etly, "by consensus."

Dr Mahathir says he will not give in to them, nor leave any by-election uncontested. The stand-off reflects how far political integration is coming under stress, with non-Malay parties in the coalition becoming rest-

Parti Bersatu Sabah (PBS), the Sabah ruling party, has also added its voice to the chorus of dissent. Mr Pairin Kitingan, the Catholic Chief Minister and party president, has accused the federal govern-ment of plotting against his

The charge has been made because Mr Pairin has criticised as politically motivated an

investigation by the Anti-Cor-ruption Agency into the activi-ties of some Sabah officials. News of the investigation broke last week as the PBS was preparing for an important by-election against Mr Mark Koding, Mr Pairin's former

All this has multiplied the problems of Dr Mahathir, who has been talking of an early general election, perhaps early next year. His party is already at odds with Tunku Abdul Rahman, Malaysia's first Prime Minister, and Tunku Razaleigh Hamzah, a former minister who broke away from Dr Mahathir's Umno taking a size-able chunk of support with him. Dr Mahathir is trying to bring all the Umno dissidents back into the fold before the

## Eritrean guerrillas get ready for independence

Threat of famine has not dulled the rebels' confidence of defeating Ethiopia, reports Elizabeth D Wise



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FTER nearly 28 years of fighting, the Eritrean Peoples' Liberation Front (EPLF) believes that Eritrea Khartoum ' ٦ independence from Ethiopla is Efforts to relieve the SUDAN Tigray drought, which in Eritrea and Tigray has left up to im people in need of food aid, take prior-ity. EPLF officials say 337,000 **ETHIOPIA** tonnes of food will be needed in 1990. They also need help with transport — over 700 10-tonne trucks will be required (SUGANDA) KENYA SOMALIA to bring the supplies in from Sudan to nearly 2m people at and subsequently a British pro-tectorate, it was linked in federation with Ethiopia in 1952. In 1962, Ethiopian "occupa-

lages, where residents com-plain that Ethiopian soldiers

used to consume their drinking

water. EPLF barefoot doctors provide the only care for mal-

nourished babies or wounded

risk in "liberated" Eritrea. But the danger of famine has not dulled confidence. Short of tion" prompted the creation of hanging election day bunting, the Front is preparing for an several Eritrean opposition parties. Of those, the EPLF, established in 1977 and seeking Behind the lines, factories for rubber sandals, pasta, and independence from Ethiopia, is the main guerrilla force and sanitary napkins race to keep up with demand in the terriseemingly enjoys wide support from the 3.5m inhabitants. tory they control. Commissions "We care more about the Erion agriculture, construction, trean people than anyone else," says Mr Gebremichael Mengistu, field director for the finance, industry, and trans-portation are staffed from central to village level by hun-Eritrean Relief Association dreds of professionals who form the civilian wing of the (ERA), the EPLF's relief arm. Wells are the EPLF's first pri-Front, described by Ethiopia's ority in newly liberated vil-

EPLF schools are home for 20,000 war orphans or children of destitute families. Vocational classes follow, creating a skilled labour force and, says Mr Osman Salih, head of the Education Commission, no unemployment: "We're preparing them for the reconstruction of the country."

War's right hand in the region's destruction is drought. Eritrea has had a quarter of its normal rainfall and many

farmers planted nothing. In Nakia, rain arrived only in October, after the harvest period, washing away the few seeds that had been planted. Farmers said they were using the last morsels of relief food. ERA stores in Nakfa, the distribution point for most of central Eritrea, were virtually empty. New supplies are urgently

The EPLF's longer-term strategy to counter drought has been a nationwide agricultural rehabilitation pro-gramme. The three-year, \$35m (£22m) project has distributed 7800 tons of seeds and nearly 22,000 oxen as well as agricultural tools to 275,000 peasants since 1986. Farmers are trained to become workers in soll conservation, horticulture, animal vaccination, blacksmithing and water pump maintenance.

Mr Mengistu of the ERA said the region would survive the imminent famine more easily than that of 1985, because malnutrition and epidemics are much reduced now. Life in the liberated areas has a socialistic flavour.

Between members of the EPLF no money is exchanged; food and clothing for everyone from fighters to barefoot doctors is provided by the economic department of each commis-sion. Peasants who participate in EPLF projects are often simply asked to contribute their labour for the good of the community.

The assignment of student to technical schools depends less on their interests than on the current needs of EPLF departments for skills. Political education is mandatory for the entire population. Female fighters are held up as role models in the National Union of Eritrean Women. Even in the trenches there are no ranks, no saluting.

We're not Marxist and we never have been," says Tesfai Ghermazien, EPLF's deputy representative to the US and Canada. "We envision a pluralistic government which encourages private as well as public sector economy." As for the communal organisation. We have no other choice. We

Television and radio in Britain will broadcast an aid appeal for Ethiopia early next week, the BBC and Independent Broadcasting Anthority announced yester-day. The Disaster Emergency Committee, representing five leading British charities, have been pressing for such an appeal, which would draw on public response to recent television reports from Tigray and Eritres.

Despite a declared ceasefire, Ethiopian MiGs fly over Eritrea almost daily, often drop-ping bombs. The State of Emer-gency gives soldiers free rein. Women no longer hang clothes to dry in the sun, but leave them under heavy acacia branches where they won't be seen from the air. On the front line near Keren,

are in a war situation."

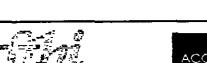
division leader Halibaye Pessehaye sees an impasse in negotiations with the present government. "It will have to be a military solution," he says. President Mengistu's Ethio-

pian régime has been seriously threatened by the Tigray People's Liberation Front, which supports Eritrean indepen-dence, and the EPLF has been lending the TPLF support in its advance on Addis Ababa.

Why doesn't the EPLF strike while the government is weak? while the government is weak?
"We'll know the right
moment," says Mr Fessehaye.
But even if President Mengistu falls, the EPLP will not
simply declare independence.
Negotiations will begin with the next government in Addis, which they hope will be more sympathetic to their cause. Aimost no one in Addis Ababa thinks independence achievable. The main stumb-ling blocks are two Eritrean port cities on the Red Sea, now under government control, without which Ethiopia would be landlocked. The EPLF has not advanced on them for fear of raising the enmity of the Ethiopian public. Other Eritrean liberation fronts claim that an agreement made without consent from all

parties relevant to the struggle is worthless. Independence, they say, could lead to civil war between groups vying for the chance to administer the new nation. And with famine looming

again, is Eritrea - which through the ERA asked for \$293m in aid this year - too poor to be independent? Says Mr Fessaha Gebrehiwot, an EPLF officer in the field: "No one held that against Dilbouti when it was looking for inde-



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ENLARGING the European Community much beyond its present 12 members had to entail an increase in supranational decision-making if the bloc were to remain manage able, Mr Jacques Delors, the Commission president, said

Referring to the eventual prospect of wider EC membership opened up particularly by events in Eastern Europe, he said: "The major challenge for the government of a Commuembracing most of Europe mity eminracing most of Europe would be to give it a capacity for decision-making and mediation sufficient to ensure the efficiency of the new unit."

Mr Delors' message, delivered in a speech here to the Centre for European Policy Studies, runs: effectively counter to recent calls by Mrs. Margaret Thatcher, Britain's Prime Minister, for the EC to Prime Minister, for the EC to concentrate on new relation-ships with East European and Effa countries rather than on

new internal integration He will presumably repeat his views when he meets the British leader in London this week's Strasbourg EC summit at which his plan for Reonomic and Monetary Union (EMU)

will figure prominently.

Any treaty revision to set up an EMU should itself also encompass measures to improve the decision-making process and to fill what has come to be called the democratic deficit in the Community," Mr Delors said A way had to be found to involve national legislatures more in the process of building

Europe, he stressed. if the Community's membership were to stay at 12, then its challenge remained to bolster its security "in three aspects: nomic, military, and ideo-

logical."

Mr Delors has always been an enthusiast for the idea of the EC giving itself a security identity, a desire not widely shared by member states. But widening its membership would also "require bolstering the degree of supranationality" in the EC. Otherwise, it would be impossible to manage a Community which would have more countries demanding exemptions from EC rules than morning, in the run-up to next those abiding by those rules.

### EC social charter comes under attack

THE European Commission's proposals for implementing the Social Charter came under attack from both sides yesterday, with the European Parliament stepping up its protests over the weakness of the plans, and the UK protesting that they were too restrictive.

Mr Enrico Baron, president of the European Parliament, voiced his displeasure to Social Affairs ministers and to Mrs

THE DRAMATIC political

changes taking place in East-ern Europe, while winning applause from Spain's Socialist leaders, are beginning to sound

loud alarm bells throughout

Spanish industry.

A country which has come to regard itself as the chosen southern European destination

for northern European indus-trial investment is quickly hav-

ing to come to terms with the fact that potentially strong

new competition is being opened up to investing indus-tries in East Germany, Poland, Hungary and, possibly, Czecho-slovakia.

In particular, it is the pros-

pect of West German invest-

ment being diverted to East Germany that most frightens industrialists here. Although

Spain has encouraged the con-

Papandreou, the commissioner responsible for social policy. The parliament was angry not to have been consulted over either the social charter or the related action programme he said. He attacked both for hav-ing been watered down so far as to be devoid of practical

The unusual involvement of Euro MPs at a council meeting

ventional wisdom that north-

ern European companies are

"transferring resources" to the

south, the fact is that this has

German industrial investment in Spain – the West German Chamber of Commerce in Mad-

rid concedes the volume is incalculable - and in particu-

lar Volkswagen's decision to manufacture all its Polo mod-

German industrial leaders

make little secret of how com-

fortable they feel in Spain, as opposed to, say, France, but Spanish industrialists fear

that, given the choice between

building new plant in East Ger-

many or in Spain, that they

Mr Carlos March, chairman

barely begun to happen. What gives the myth some redibility is the scale of West

demonstrates the desire of Parliament to increase its powers. Although Mr Baron did not sit in at the council meeting itself, the staging of an informal meeting with ministers shows Parliament is prepared to exert all the pressure it can through political channels to get the social charter reinforced. If this fails, it has threatened to slow down legislation on the

of the March banking and industrial empire and one of

Spain's leading businessmen, said this week that the opening up of Eastern European econo-

mies posed a "grave threat" to

Spain. "The danger is that regions in the south of Europe

that have been gaining ground at the expense of the developed regions in the north may now

begin to lose this to the east.

This new situation, be said,
"is unfavourable for Spain or,
at least, the situation is much

more delicate than it was just

six months ago." Foreign

investors have pumped more

than \$45bn into Spain since

try would not have been in a

position to deal with its

chronic trade gap and newer current account deficit.

1986, without which the coun-

Mr Norman Fowler, UK employment secretary, yester-day relterated the British view that the action programme was most unwelcome as it would add to labour costs. "Our conplace, covering machinery and

### cern remains that the proposals will cost jobs," he said. Ministers yesterday adopted three directives on health and safety in the work

the past few weeks, many

other Spanish industrialists

have expressed exactly the

same fears. Mr Antonio Diaz Alvarez, president of SEAT, Volkswagen's hig Spanish sub-

sidiary, added a variation to the theme last week when he

warned that imports of cheap

cars made in Eastern Europe could begin to threaten estab-

lished positions, mainly SEAT's, in the Spanish market. Leipzig, or even Warsaw and

Prague, are just as well posi-tioned (if not better) to service

the big EC consumer markets

as are Spanish manufacturing centres. And with Bonn press-

ing the EC to grant favourable

treatment to its eastern neigh-

bours, no one in Spain is bank-ing on tariff barriers to

the new eastern

personal protective equipment Peels of joy in Germany sound alarm in Spain

> A report last year by a Government committee on mone-tary policy suggested that EMS membership would provide Norway with better protection against speculation than the basket of 14 trade-weighted

within a 5-point range.

Recent Norwegian approaches to Sweden on the issue suggest the Government is laying the ground for eventual EMS membership, though officially Norway is working through Ffe to this care. through Efta to this end.

and clarification of other ques-tions surrounding future development of the exchange rate

### Norwegians may seek EMS entry

By Karen Fossil in Oslo

NORWAY MAY seek to join system of management. the European Monetary System (EMS) even if its fellow members of the European Free Trade Association decide not

to do so themselves. Although the Norwegian krone has largely remained steady on the foreign exchanges since it was devalued in 1986, each year since it has experienced isolated incidents of disturbances caused by speculation about further devaluation.

currencies against which the central bank measures the krone, defending its value

Norway would like a joint application with Sweden, although in the past it has maintained that membership would hinge on that of Britain

According to Mr Arne Skauge, Norway's new Conservative Finance Minister. "Time is now right for Norwegian authorities to explore with EC officials, and authorities in other Efta member countries, the possibilities and conditions for a closer association of the currencies of the Efta member countries with the EMS.

"This would be in accor-dance with the view expressed by a clear majority of the Stort-ing's (parliament) Standing Committee on Finance in its recommendation to the Storting concerning the National Budget for 1990. Such an (EMS) association could help provide Norwegian companies with a more stable framework for their operations," he said.

Norway was part of the pre-EMS 1972 Basic agreement — the currency "snake" — in which the six founding EC members plus Britain, Den-mark, Ireland and Norway agreed to let their currencies move against each other by a maximum of only 2% per cent.

To build confidence in a stable exchange rate Norway this year relaxed restrictions on capital flows by allowing foreigners to buy its bonds and more recently began allowing foreigners to issue bond loans in the Norwegian market.

GLOBAL INTEGRATION THROUGH OVERSEAS INVESTMENT

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### Komarek gently tosses his hat into the ring

By Leslie Colitt in Prague

DR VALTR KOMAREK deftly threw his hat into the emerg-ing Czechoslovak political ring yesterday and said he probably would agree to become the next Prime Minister - if that was what the people wanted. Judging by the posters on the walls of Prague calling for "Komarek as Premier" that is exactly what many Czechoslovaks want the bearded and bespectacled economist to do. "If the people so decide and if it depends on my saying yes or no, then probably I would accept being Prime Minister," he said in an interview with the Financial Times. "I do not want to let the people down.

If was straightforward com-pared with an earlier news conference at which he tantalisingly left open his immediate

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political plans. Dr Komarek, who heads the nomic) Forecasting, has been in the forefront of aborted attempts to reform the Czecho-slovak economy since the late 1950s. But only since a remark able television appearance last Saturday did the 59-year-old researcher become virtually a researcher become virtually a household name. With the eyes of the nation

upon him he cogently argued the need for a "coalition of non-party experts" to take the reins of government. Scholarly and well-spoken, he came across as precisely the kind of man sober-minded Czechoslovaks might choose for the post. But Dr Komarek's progress to the premiership has a hurdle or two to surmount. Mr Ladislav Adamec, the acting Prime Minister, is committed - after negotiations with the opposition Civic Forum movement - to forming a new Government by next Sunday. Mr. Adamer's credibility, however, is questionable, although as Premier under the deposed party leader, Mr Milos Jakes, he advocated economic reforms

without success. Civic Forum, Dr Komarek insisted, had made a serious error in agreeing "compromises" with Mr Adamec, whom he regards as a stalking horse for the new Communist party leader, Mr Karel Urbanek, He concertedly pointed out that repeatedly pointed out that while the facade of Communist rule in Czechoslovakia had "collapsed" the Mafia-like power structure behind it remained Mr Urbanek was trying to co opt the opposition's ing to coopt the appointant's language in the hope of regaining lost ground, he said.

"I don't take the party seriously any more," he said. But he wanted to wait a while until resigning his membership of the party for an "honourable."

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A Prague office worker waiting at Mustek metro station afterwards said he and many fellow citizens backed Dr Komarek to become Prime Minister. But he was under the impression that he had already resigned from the party.

Dr Komarek said that he "deeply honoured" the person of Mr Vaclav Havel, the playwright and leader of Civic Forum, but that the opposition was giving the party a lifeline with which to recover. What was needed now was a clean sweep. A non-partisan government of professionals (undoubtedly headed by him-self) would be able to overcome the present political instability.
It could "discipline the state apparatus" and guarantee elec-tions within five months.

experts.
Not surprisingly, Dr Komarek's own economic expertise is his strongest political card.
While Civic Forum has economic advisers, they are very junior compared with himself Since setting up his forecasting unit in 1986, he has advocated meaningful economic and political reforms to the Government which however failed to overcome deep rooted opposition.

As the old order in Czecho slovakia crumbles, Dr Komarek has a potentially strong ally in Moscow. His links to the Soviet leadership rest on a close relationship with top economic advisers to Mr Mikhail Gorbachev. But he cautioned that some people in the Soviet leadership believed the most important step was to consoli-date the Czechoslovak Communist party. Soviet support for the party would be a "big mis-take," he said, as the "party

has lost everything." "A democratic Czechoalo-vakia would be a good friend of the Soviet Union. It would guarantee its treaties (the War-saw Pact being the most important one), foreign trade and a Slavic tradition of mutuality, Dr Komarek suggested.

He did not exclude the possi-bility, however, that a belea-gured party might back the proclamation of martial law in

30 per cent chance - but believed that a decisive "change-over" to non-party rule could take place within And when might he become Prime Minister? "Perhaps in the spring of next year. It is a symbolic time of the year — a new Prague Spring," he said, picking up the theme of Mr Alexander Dubcek in 1968.

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## Japan's Foremost Corporate Bank Moves to **New Levels of Sophistication and** Service in Europe

The Industrial Bank of Japan, Limited, one of the ten largest banks in the world with assets totalling nearly \$300bn, serves the international corporate community by providing skilled industrial and financial leadership based on a strong sense of

commitment to all its customers. Tadashi Natori, director and general manager in charge of London branch operations, and Yoshio Osawa, managing director and chief executive of the bank's London-based IBJ International assess IBI's international ambitions and achievements.



Tadaski Natori, Director, Industrial Bank of Japa and General Manager of IBJ Landon Branch



IBJ aims to rank as one of the world's prime international banks in terms of breadth and depth of service. Natori points out that strength as Japan's major corporate and industrial lender (IB) counts roughly 90% of Japan's top 200 companies as customers), independence, a powerful resource base, and a very high level of financial skills, combined with global banking coverage, have built IBJ an important springboard.

"Customers want increasingly complex and sophisticated products and services, and want them wherever they trade," Natori points out. "So we need to develop both globally and locally to match these

"We need to maintain and increase our global market lending, treasury and forex strengths to hold and enlarge our share of world markets, and mobilise our skills and expertise internationally to make the best use of our resources. We must also package and present new products and services locally through our global network of corporate relationship bankers to help us both satisfy present customers and win new business," Natori explains.

Osawa expects IBI International to play a major supporting role, "We are now one of the world's leading capital market intermediaries," he explains. "We see convergence in world financial markets generating increasing pressure for global deregulation. and we believe deregulation will enable us to help IBJ create an even wider range of sophisticated products and services and market these products and services more widely,"

In Europe, Building on Proven Skills

IBJ strength and expertise, backed by IBJ International bond market skills, are already signposting the way ahead. IBJ's London branch operates as an international wholesale bank, helping finance global commerce by mobilising credit for major clients and trading major world currencies.

The branch also backs international customers with its stateof-the-art CATS (Computer-Aided Treasury Support) System which collates and consolidates currency receipts and payments automatically, and generates net international balances in any currency or currency mix that customers may

Natori says the system provides an important example of advanced IBJ banking technology working to benefit global business. "Now we can help international customers working in different currencies collect their money and pay their bills very simply," he explains. "We can also help them plan ahead, by providing them with global cash-flow pictures that show

them exactly where they stand." Natori adds that IBJ hopes soon to provide the system with a forward dimension as well, allowing customers to use advanced financial engineering techniques to profit from fluid exchange and interest rate differentials.

IBJ also packages a growing range of specialist treasury products and services to back its stateof-the-art skills, providing international customers with a powerful armoury of risk management

Corporate banking services focus on a cluster of specialist M&A, aircraft leasing, project finance and international property development units in London, which back relationship banking teams in nine European corporate banking centres (London, Paris, Madrid, Frankfurt, Dusseldorf, Luxembourg, Zurich, Milan and

These units play a major part

IBJ's M&A skills helped smooth Nippon Mining's recent \$1.2 billion bid for the US-based Gould electronics materials business, whilst IBJ aircraft leasing expertise has channelled more than \$4 billion into world airline re-equipment and expansion. IBJ is also playing a major role in financing the Eurotunnel development, and has helped organise and finance major property projects in Asia, Australasia and South America.

Extending a Two-way Bridge

"We believe establishing relationship banking teams in major financial centres close to our customers, and packaging attractive and effective products and services through our specialist units here in London provide the right balance," Natori explains.

Natori expects this policy of combining close local links with powerful central resources to build business rapidly as the European Community moves steadily towards financial integration in 1992, as corporate banking needs grow in line with swelling international investment flows, and as national and multinational businesses compete increasingly fiercely for opportunities and profits in the unified EC market.

> M&A for Europe and Japan

"We are mainly helping our customers tap Japanese resources at the moment, helping Japanese businesses buy into Europe, and in expanding IBI's global business. helping Europeans buy into Japan.

"But we believe that more and more European businesses are going to look at strengthening themselves by merging inside their own national markets, merging across European borders, and linking up with businesses in the rest of the world, just as the rest of the world is going to take a greater interest in

Natori sees IRI's specialist aircraft leasing finance unit generating major parallel banking potential. "The world's airlines are presently planning massive reequipment programmes extending into the coming century, and these programmes will both need an immense amount of money and very powerful and sophisticated resource mobilisation techniques,"

Maintaining Momentum

Osawa echoes these views that European convergence and business growth promise major banking opportunities.

"IBJ International are now one of the world's top dozen bond houses, playing a leading role in placing and trading yen, US and Canadian dollar, Deutschemark and European Currency Unit (ECU) issues and are influential in the fast growing Japanese equity warrant market. We make markets in a very large number of bonds, and have close links with more than 700 major international corporate investors, and also with a significant number of central

"We have also built up an important business in structured finance, what we call 'tailor-made bonds,' where we structure borrowing and investment to match customers' needs very closely on both sides of our transactions. We believe our bond market strength overall will play an important part in helping generate future

growth." IBI International will also focus increasingly on transactions capable of building related business for IBPs corporate bankers and special London-based banking units in what Osawa calls 'total bank deals,' whilst European stock market convergence promises additional growth opportunities—IBJ international has already started making a market on SEAQ International in a list of major Japanese equities.

#### Changes in Japan

Japan currently segregates corporate and investment banking along US lines (though IBJ International may provide investment banking services outside Japan, as long as it refrains from lead managing Japanese corporate securities, or trading Japanese equities for Japanese clients).

Both Natori and Osawa argue that deregulation can only bring benefits. "It is rather hard for us to have to tell customers that we can do some kinds of business, but not other kinds," Natori comments.

Osawa concurs: "Financial markets now operate globally, so restrictions can only drive business toward less strictly regulated centres. We would like to see market controls develop to reflect international convergence, permitting us to deploy our skills to the best and widest possible benefit of our customers."

IBJ believes European harmony and global market convergence promise major international financial market growth, and important banking opportunities.

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### Herrhausen bequeaths powerful legacy

THE MURDER of Alfred Herrhausen robs Deutsche Bank of the man most closely identified with its powerful international expansion of recent years, and which led it to make large acquisitions in most major European coun-

This culminated only four days ago with Deutsche's £950m bid for Morgan Grenfell, the UK merchant bank, an event for which Mr Herrhausen himself came over to London don and which he described as

But the feeling among observers of Deutsche Bank yesterday was that the loss, though though traumatic, was unlikely to halt the Frankfurtbased institution's international growth. Its expansionist instincts, backed by West Germany's industrial might, will continue to propel it forwards. "They have built up such a head of steam under Herrhau-sen that it would be hard to slow it down," said Mr Alan

Morgan Stanley. This growth has taken Deutsche to the point where, with assets equivalent to \$171bn, it is the sixth largest bank in Europe - and the largest in terms of market capitalisation.

Another factor which should

help Deutsche absorb the shock is the strongly consen-sual approach of its management. Although Mr Herrhausen was a clear leader at the bank and carried the title "speaker", all its major decisions were taken by its 12-person board of managing direc-tors, who emphasise their equality by all receiving the

Mr John Craven, chairman of Morgan Grenfell, who led negotiations on the takeover, described Deutsche's management yesterday as "a partner-ship, not a pyramid." He was shocked by the murder, but it did not dampen his bank's enthusiasm for the merger.
The possibility of two "speakers" reflecting Deut-sche's growing involvement in

both commercial and invest-ment banking was mooted by Mr Thomas Albrecht, Euro-siderable might it already exerpean banking analyst at UBS
Phillips & Drew. Before Mr
Herrhausen, Deutsche had two
speakers – for international
and domestic affairs.

Possible candidate names that were mentioned include Mr Rolf Breuer, who is head of capital markets activities. Mr Hilmar Kopper, the man who put together the Morgan Gren-fell deal, Mr Herbert Zapp, who looks after corporate banking and Mr Eckart van Hooven, the board veteran who might act

as a stopgap.

But while continuity will doubtless be the theme that Deutsche itself will want to stress, the Herrhausen era will go down in Deutsche Bank history as the time when Germany's sleeping banking glant began to wake up - rather belatedly - and stretch its powerful limbs across Europe. Through a combination of acquisitions and start-ups, it

cised in the German market as an institutional shareholder. Bank acquisitions in Italy, Spain, Portugal, the Nether-lands, Austria and now the UK, followed rapidly. At the same time, Deutsche diversified into new areas,

such as management consul-tancy and insurance and par-ticularly investment banking for which, as a universal bank, it was well suited. With Deut-sche Bank Capital Markets, its existing London-based debt issuing and trading operation, and, shortly, Morgan Grenfell, and, shortly, Morgan Grenfell, it will be a commanding player in Europe's largest financial centre. Deutsche also has both banking and securities operations in New York and Tokyo where it has been able to bridge the regulatory divide. More recently, Deutsche has also been concentrating on potential new markets in East. Europe where it has both a

ness to the countries of the East, and the chance to exploit big business opportunities.

Although Deutsche will inevitably end up playing a political role in East Europe because many would follow whatever example it chose to set, Mr Herrhausen believed it should not shrink from taking bold steps there, so long as it did not lose sight of the commer-cial risks.

The scale and breadth of

Deutsche's business have inevitably led to its being held up as one of the prime candidates for the title of Europe's first continental bank, and industry leader in the post-1992 markets.
That may well turn out to be
the case; the only other possible contenders being the top
two or three banks in the UK
and France. But Mr Herrhausors too, always stressed that Deutsche's growth was driven by commercial calculation and not by the desire to achieve size for its own sake.



Chancellor Kohl and President Gorbachev look on as Mr

nuity between the Third Reich and Baader took his own life.

#### Victims of Germany's terrorists

Following is a list of terrorist actions claimed by or attri-buted to the Red Army annit.

'pidend'

May 1972 - Three US servicemen are killed in a bomb attack November 1974; West Berlin judge Günter von Drenkmann is shot dead.

April 1975 – "Holger Meins" Commando occupies West Ger-Commando occupies vien comman embassy in Stockholm and kills two diplomats.

April 1977 - Chief Public Prosecutor Siegfried Buback-shot dead.

July 1977 — Jürgen Pouto, chief executive of the Dresdner Bank, shot dead.

leader Hans-Martin Schleyer abducted and later October 1977 - Palestinians

September 1977 - Employ-

supporting Schleyer's kidnap-pers hijack a Lufthause flight February 1985 \_- Arms

industry executive Ernst Zim-mermann killed in campaign for political prisoner status.

August 1985 - Huge car bomb at US Rhein-Main air base near Frankfurt kills two people and injures 20.

July 1986 – A powerful remote-controlled Red Army Fraction bomb kills Siemens executive Karl Heinz Beckurts.

October 1986 – Senior West German diplomat Gerold von Braunmühl is shot dead out-

September 1988 - Hans Tietmeyer, State Secretary at the Bonn Finance Ministry,

### Killing underlines terror group's powers of survival over 20 years

THE MURDER of Mr Alfred Herrhausen is a shocking reminder of the Red Army Fraction's power of survival. Several times in the 20 year history of the organisation, and its off-shoots, it has disappeared from view for a few years, been declared dead, and then struck again.

It is also a reminder of the vulner-

ability of prominent politicians and businessmen and inevitably raises questions about whether the authorities could have done more to protect Mr Herrhausen, a man at the very top of the security-risk listings. Following his murder security will become even tighter, not least

because on two previous occasions in 1977 and 1986 a second murder came only weeks after the first, It is

terror campaign from leaders of the recently failed hunger strike by fraction prisoners were taken seriously

also being whether threats of a new

enough.

Responsibility for the protection of prominent people lies with special squads attached both to the Federal Criminal Investigation Office (BKA) and to the Länder (state) police. Mr Herrhausen was the responsibility of the state of Hesse but his day to day protection was in the hands of priprotection was in the hands of private body-guards hired by Deutsche

Although security in West Germany sometimes seems surprisingly light, the BKA argues that in fact it is as tight as it can be while at the same time allowing prominent people to continue a relatively normal life. An explosives attack such as that on Mr Herrhausen is virtually impossible to prevent according to a BKA official.

The same official completely rejected claims that the authorities had been lulled into a false sense of security by the bungled attack on Mr Hans Tletmeyer, then a state secre-tary in the Finance Minister, last year. After the attack some commen-tators argued that it proved the Red Army Fraction had lost its "profesional" terrorists.

The organisation is believed to have a hard-core of about 20 members with a circle of 200 active supporters and 200 more passive sup-porters. It is a direct descendant of the Baader-Meinhof group which first emerged in the late 1960s out of the Maoist fringes of the student

However the BKA official remem bers almost fondly the "misguided, middle-class, intellectuals", who then formed the core of the group, compared with today's "brutal, hardened, terrorists" who are now concerned less with sparking world revolution than with a bloody battle of revenge on behalf of the almost 90 fraction members in prison, many in

solitary confinement.
The Baader-Meinhof group began by attacking property rather than people in the name of the world struggle against imperialism. Its views on imperialism and the conti-

the modern German "military-industrial-complex" were shared by many on the far-left in the early 1970s and until the "German Autumn" in 1977 the group received a fair amount of passive support from the fringes of the democratic left. Andreas Baader and Ulrike Mein-

hof were arrested in 1972 following the first attack which claimed lives - those of three US servicemen in Heidelberg. Then came a series of attacks – climaxing in the abduction of Mr Hans Martin Schleyer, the employers leader, and the hijack of a Lufthansa jet to Mogadishu in 1977 - all designed to force the release of the fraction's leaders. These attempts failed and soon after

After a quiet period in the early 1980s the group appeared to find renewed strength and committed three murders between January 1985 and October 1986. The Red Army Fractions have not

- unlike associates of the Red Brigades in Italy – been offered any kind of amnesty to help flush out those who have genuinely repented. However recently the West German President did, controversially, paragraph former terrorist. don one woman former terrorist. Also the IRA-style hunger strike ear-lier this year, for better prison conditions, won quite wide support and the Green Party has called for the the terrorists to be recognised as

### Moscow faces fresh wave of angry nationalist protests

By John Parker in Moscow

AS Mr Mikhail Gorbachev continued his diplomatic rounds in Italy, two intractable nationalist disputes at either end of the Soviet Union were taking sharp turns for the

Two people were killed in the Transcaucasian republics of Armenia and Azerbaijan as both sides took to the streets in protest at the Supreme Soviet's attempt to resolve their dispute over the territory of Nagorno-Karabakh by ending special administrative rule

from Moscow. In the Baltic states of Lithuania and Latvia, splits appeared in both local Commu-nist parties as Mr Vadim Medvedev, a Politburo member, flew in from Moscow for new talks with the Lithuanian

party leaders. He said Mr Gorbachev had sent a message to the Lithuanian party repeating his assertion that secession from the Communist Party of the Soviet Union (CPSU) was unac-ceptable. On Wednesday, the Supreme Soviet returned Kara-bakh, an Armenian-populated

State aid

curbs urged

on Italians

By John Wyles in Rome

SIR Leon Brittan, the

European Community's Com-

missioner for Competition, yes-

terday took to the Italian Sen-ate his compaign for tighter

controls on state aids to indus-try, three days after its mem-bers had been told that the

Commission has greatly exag-gerated the volume of aid paid

in Italy.
Appearing before a special

senate committee of inquiry on state aids, Sir Leon repeated

figures used in the Commis-sion's recent White Paper on

the subject, which suggest that public aid to industry in Italy

rose by 250 per cent between 1981 and 1986 and averaged annually about five times more

than that paid in France and

acceptable to a private invest-

Capital injections to cover

with the common market, added Sir Leon.

at a similar level of develop-

ment, "we must ask ourselves why Italy presents such differ-

enclave within Azerbaijan, to indirect rule by the Azerbaijani republic. Since January, the area has been under the direct rule of Moscow.

The decision has caused uproar in Armenia and Karabakh. in Armenia, the local parliament went into emergency session as both the nian national movement and students from Yerevan university staged large railles. The local Communist Party chief, Mr Suren Arutunyan, meeting with managers of the republic's industrial enterprises, praised the walk-out staged by Armenian deputies to the Supreme Soviet in Moscow before the decision

was announced. In Karabakh itself, every town except Shusha (which is dominated by Azeris) was paralysed by a one-day strike. The autonomous region's capital, Stepanakert, was the scene of another huge rally with pro-testers demanding deputies boycott the congress of peo-ple's deputies, the country's super-parliament which opens on December 12th.

requested bridging loans from the Bank for International Set-

tlements, the Basle-based body

which groups western central banks, in a bid to speed west-

ern help for their economic

expected the requests would be looked upon sympathetically. However, they added that Hun-

gary's economic programme

Poland's and its government faced the additional uncer-

tainty of elections next year.

Loans from the BIS are

sometimes used to bridge the

gap between an agreement

between a member country and the international Mone-

tary Fund and the disburse-

Western officials said they

reform efforts.

**Poland and Hungary** 

By Stephen Fidier, Euromarkets Correspondent

seek BIS bridging loans

POLAND and Hungary have ment of IMF and World Bank

Many Communist Party members are believed to have been returning party cards. Members of the national council for Nagorny-Karabakh, which recently declared itself to be the legal government of the region, left for Yerevan, Armenia's capital, to discuss

Azerbaijan might have been expected to support the Supreme Soviet's decision, but it too, has been hit by strikes. Yesterday the 50 largest factories in Baku were shut and a rally outside Communist party headquarters demanded the government's resignation. The Azerbaijan Popular Front has renewed its blockade of Armenia and Karabakh,

which normally receive most of their food and other supplies by rail from Baku. The front's leader, Mr Eiti-bar Mamedov, told protesters the Supreme Soviet's decision to require Azerbaijan to pass special laws guaranteeing new rights and economic autonomy to the inhabitants of Karabakh was an infringement of Azer-baijan's sovereignty.

funds associated with it.
IMF officials have been in

Warsaw discussing the coun-

try's economic programme, but a letter of intent on an agree-ment seems unlikely before the end of the year. Because of the

depth of the economic prob-lems and the radical approach being considered, the govern-ment wants the loans to be dis-

bursed as fast as possible.
Poland may be able to draw
as much as \$700m from the
IMF under a standby loan programme, of which some \$500m

may be bridged with the BIS. Ministers from the group of

24 western donor countries to Poland are due to meet in mid-

December to try to co-ordinate offers of help.

### unity plan By David Goodhart in Bonn THE unexpectedly strong

**Politicians** 

over Kohl

in Bonn row

domestic political consensus in West Germany over Mr Helmut Kohl's 10-point plan for German unity has already

The opposition Social
Democrats yesterday
announced that they would not be backing the plan without certain qualifications unacceptable to the governing certain coalition. Also, Mr Otto Lambsdorf,

leader of the junior coelition party, the Free Democrats, attacked Mr Kohl for failing to consult properly with West Germany's key Western allies and failing even to inform the Soviet Union or the East Germans before the

The SPD's main Bundestag spokesmen initially welcomed spokesment initially welcoment the 10-point plan and Mr Hans-Jochen Vogel, the party leader, has endorsed the idea of a "confederation" between the two Germanys.

Yesterday the party repeated its support for the plan, which it said represented a shift towards its own gradualist view of political union, but said it could only support it if the coalition also included a clear statement of support for Poland's existing western border and of the irrelevance of modernising short-range nuclear weapons.

Further party political strife over the recent developments is possible today when Mr Walter Momper, the SPD mayor of West Berlin, meets with Mr Kohl to ask for nearly DM800m (£286.5m) more in subsidies for his city to help pay for the special costs created by the opening up of the Wall.

The giant metalworkers

trade union. I G Metail, yesterday lodged its first official claim for the imminent metal industry negotiations in the key state of Baden-Württemberg. It is demanding an 8.5 per cent pay rise and a

#### **SERIES OF FAR-REACHING AGREEMENTS SIGNED**

### Italy extends a strong hand to Gorbachev

By Quentin Peel in Rome

ITALY AND the Soviet Union yesterday signed potentially the most far-reaching series of bilateral agreements yet negotiated by a European Commu-nity country with Moscow.

The agreements involve co-operation in the conversion of Soviet defence industries, support for eventual Soviet and East European membership of international organisations

like the IMF and the Gatt, and implicit criticism of Western restrictions on the transfer of technology to the East.
In exchange, Mr Mikhail
Gorbachev put his signature to

an agreement which describes pluralism as a "universal value" praises the reform process now under way in Eastern Europe as "courageous", and insists on the right to self-de-

The deals, together with rine deats, together with Fiat's joint car production ven-ture, have provided a robust business underpinning to Mr Mikhail Gorbachev's state visit to Rome which ends

The Soviet delegation yester-day signed a number of inter-

termination of every people, including the choice of sociopolitical order. Nevertheless the Soviet side still criticised Nato's failure to

change its current nuclear defence strategy, while Italy could not agree with the full force of Soviet fears over German reunification plans.

The documents signed yesterday by Mr Gorbachev and Mr Giulio Andreotti, the Italian Prime Minister, are clearly intended to put Italy in the

forefront of West European support for perestroika under-pinning a big drive by Italian business to match West German investment.

One of the most interesting aspects was agreement to set up a working group of experts to exchange information on the

conversion of defence industries to civilian production, including research into alter-native products, how to market them and how to retrain the industrial work force. That deal in potentially sensitive areas of technology was matched by a statement in the

final communiqué that "scien-tific and technological co-operation is a driving element in consolidating the integration process of today's world." While not an outright attack on the Cocom restrictions on the export of sensitive Western technology to the Soviet Union.

doubt about Italy's unhappiness.
Mr Andreotti also went fur-ther than other Western leaders in endorsing Mr Gorba-

the statement leaves little

chev's hopes to join the inter-national financial institutions, calling for "a gradual accession of the interested countries into international economic and financial organisations (such as IMF, Gatt, etc)."

President George Bush is likely to come under renewed Soviet pressure this weekend both to relax the US attitude to the Cocom restrictions, and to allow Moscow at least observer status in a body like Gatt.

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The range of agreements signed includes a large number of specific scientific co-operation deals, an investment protection agreement, mutual recognition of certificates of air worthiness and co-operation in environmental protection.

### Companies flock to sign deals with Soviet Union

By John Wyles in Rome

MANY of Italy's leading private and public groups yes-terday followed Flat in signing joint venture and commercial agreements with the Soviet Union in fields as diverse as oil exploration and roadbuild-ing, intensive farming and chemicals manufacturing.

governmental agreements which included protocols guaranteeing protection of foreign investments and co-operation to convert defence equipment manufacturing plant to the production of civil goods.

Among the most significant

agreements signed yesterday were three involving Ferruzzi group companies which are said to be worth a total L3,000bn (£1.46bn).

One will lead to the construction of five polipropylene manufacturing plants with a total capacity of 500,000 tonnes on an investment of

eration on new processes for producing monomers and the third will carry forward a plan to develop agricultural land and farm product processing in the Caucasian region. Klsewhere, the Eni energy holding company has signed

four agreements aiming at joint ventures in gas and oil exploration, the upgrading of refineries, detergent manufac-turing and the design and sale of gas compressors. Iri, the state industrial holding company, has signed framework agreements cover-

The second provides for ing the rebuilding of the technical and scientific co-op- Moscow-Minsk highway, coltrol systems and the supply of electronic telephone

Still to come is the signing tomorrow of an 1700th contract which will see the Mer-loni Group, owners of the Ariston marque, building a refrigerator and freezer pro-duction plant at Lipzek, 400kms south of Moscow.

Merioni will also supply materials and parts for the products for five years from the start of production in July

### Franco-German helicopter deal

By William Dawkins in Paris

FRANCE AND West Germany are French state-owned Aéros-yesterday signed a DM1.9bn patiale and Messerschmitt-Bol-joint development contract for kow-Blohm (MBB) in a 50-50 a series of combat helicopters to equip their respective armies at the end of the 1990s.
The long expected deal adds new certainty to a project which has been dogged by delays, caused by differing aims and specifications, since the pair signed a first outline accord in 1984. The partners

joint venture, Eurocopter. They aim to produce five prototypes to fly by mid-1991, with final models available for delivery between 1997 and 2008.

Two types are scheduled for development, an anti-tank helicopter named PAH-2 for West Germany or HAC for France, plus a support and protection

helicopter, HAP, for the French army alone. They will have an 800km range with top speeds of

800km range with top speeds of 260kmph to 280kmph.

The West German army is planning to buy 212 PAH-2s, while the French forces plan to order 140 HACs and 75 HAPs. They will be assembled by Aérospatiale at Marignane in the Bouches-du-Rho<circonflex>ne region and at MRB's plant near Munich.

#### Slovenia bans rally of Serbs

in Belgrade

between Serbia, Yugoslavia's

Communist from organisation, has urged Serbian companies and citizens to sever all ties with Slovenia, following a decision by the Slovenian interior minister to ban a mass rally of Serbs and Montenegrins in Lju-bljana, the Slovenian capital, that was planned for today. Organisers were trying yes-

The stated purpose of the rally was to to acquaint the people of Slovenia with the "truth about Kosovo", the strife-torn Albanian-populated province where Serbia has reasserted political control.

Organisers of the meeting

### Labour backs ERM entry for UK on 'reasonable'

Stressing that the Commu-nity would have to take a more rigorous approach to aids to industry so as to avoid distort-ing competition in the new open market, he said the Com-mission believed "aids are investments made in circum-stances that would not be

losses by public companies were aids that could not always be judged compatible Chancellor of the Exchequer.
But Mr Smith told the FT
World Banking Conference,
"Europe after the Delors
Report", in London yesterday
that Labour has strong reser-Given the differences between Italian aid levels and those in other member states vations about stages two and three, which proceed to the creation of a European central banking system and a common

currency.

Labour would accept neither caces and whether it is not necessary to make some a system of central banks

being considered in EC institu-tions, and he said a future Labour government was niedged to negotiate in good faith with its European part-

The City of London's survival as the number one finan-cial centre of Europe depends crucially on the UK being a full member of the EC, accord-ing to Mr Peter Leslie, the deputy chairman of Barclays Bank. "Our message is that economic and financial independence or sovereignty are a thing of the past," he said.

CONFERENCE **EUROPE AFTER THE DELORS REPORT** 

However, there were still trade barriers to an integrated European financial market, and the UK should play a greater part in pushing for fur-ther legislation to achieve it. Lord Roll, president of SG Warburg Group, said that

domestic and cross-border financial transactions. If this could be combined with steady growth and low inflation, there would be a new and powerful challenge to creative financial

service. Mr Giles Keating, director of research at Credit Suisse First Boston, argued against centralised EC controls on the grounds that markets are a much better way of achieving

fiscal co-ordination. As European monetary union develops, price stability is best assured by competition among central bank monetary policies because this assures that the private sector's anti-inflationary voice is heard. Mr Keating also believed that monetary union can be achieved almost entirely without European federal institutions.

Dr Roland Vaubel, professor of economics at the University of Mannheim, said there was no evidence that the exchange rate mechanism of the European Monetary System had reduced exchange rate varia-tions or inflation, or increased either intra-EMS trade or the credibility of anti-inflationary

tain aspects of the Delors plan. It would be a tragedy, he said, if European leaders rejected them out of pique over the Thatcher government's behav-iour, and he urged them to be statesmanlike enough to look at them with an open mind.

well advised not to join the Mr Samuel Brittan, eco-nomic commentator of the Financial Times, analysed the UK Treasury proposals for a system of competing curren-cies and said they amounted to a sensible alternative to cer-

policies. The EMS was a

remarkable example of how a large body of evidence could be

ignored if it was inconvenient, and because of this the UK was

By Aleksandar Lebi PSYCHOLOGICAL warfare most populous republic, and the small, prosperous Western-oriented republic of Sloventa is escalating.

The Serbian wing of Yugo-slavia's Socialist Alliance, the terday to redirect the demonstration to Belgrade, the Serbian and federal capital.

planned to bring to Liubliana planned to bring to Liudiana some 40,000 people from Kosovo (where they claim that Albanians were plotting "genocide" against Slavs) but also from Vojovdina province — a multi-ethnic area which also fallen under pro-Serbian control — and the republics of Montenegro and Croatia. Montenegro and Croatia.

BRITAIN'S Labour Party supports the negotiation of UK entry into the exchange rate mechanism (ERM) on "reasonwhile the technicalities of ecowhich would be independent of political control, nor binding rules on budgetary and fiscal policy. But Mr Smith believed that his concerns were already nomic and monetary union seemed far removed from the problems which bankers normally have to worry about, the able and prudent" conditions to help implement the first prospect of a stable exchange rate environment and a con-certed monetary policy would have a profound effect on stage of the Delors plan for monetary union, according to Mr John Smith, the Shadow

#### **AMERICAN NEWS**

### Warning by Bush against summit 'peace dividend'

PRESIDENT George Bush left events have developed in east-last night for his weekend ern Europe." He said events meeting off Malta with Presi-were "clearly moving in a way dent Miknail Gorbachev, talking about a permanent reduction in tensions." However, he warned against prema-ture talk about a large "peace dividend" from cuts in defence

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spending.
Mr Bush completed his extensive preparations and consultations with US allies and specialists in Soviet mat-ters, saying he approached the two-day meeting "in a spirit of inquiry—and of finding ways that we can beln ensure that everything moves forward."

The main US aim is to reach a new understanding with the Soviet Union across a wide range of issues from eastern

range of issues from eastern Europe, via arms control, to regional conflicts such as Cen-tral America. In the last few days Mr Bush has been anxious to lower expectations about the possibility of specific agreements or of decisions being taken over the heads of

He sought yesterday to send reassuring signals to the Soviet leader, saying that Mr Gorbachev had played "a very, very constructive role as these

ern Europe." He said events were "clearly moving in a way that should result in a perma nent reduction of tensions that have been the hallmark of Cold War days."

suggests that current events mean that the US can reck-lessly cut its defence spending. m I hear 'peace dividend', what that implies to me is somebody saying, if you cut defence spending by \$10bn, we can take that money and spend it on something else. They all have a wide array of programmes. We can't do that. We've got enormous budget

to suggestions, made by Mr Gorbachev in Italy late on Wednesday, for a reduction in naval forces in the Mediterra-nean and elsewhere. Mr Raymond Seitz, Assistant Secretary of State for European and Canadian affairs, said the US was not interested because it was a sea-going power and would not agree to arms con-trol being applied to US naval

The rise in domestic interest

rates is seen by analysts as

reflecting doubts over the par-ity of the peso given the trade imbalance and the Govern-

ment's ability to limit inflation

. Not only were rates up but there was a marked shift in

preference towards shorter-

term instruments in contrast

to the steady and encouraging

trend until recently towards

Deterioration of the current

account apart, confidence has been weakend by confusion

and contradictions in the pre-sentation of the 1990 budget.

longer-term maturities.

### Mexican interest rates up sharply at bill sale

By Richard Johns in Mexico City

MEXICAN interest rates rose sharply at this week's auction of Treasury bills as official fig-ures showed that the current account deficit was \$3.14bn for the January-August period of this year, up from \$420m in the same period last year.

in 1990 to the 15.3 per cent fig-ure in its budgetary projec-The current account figure confirms expectations that the outcome for the year will be in the order of \$5.6bn.\$5.8bn, compared to earlier projections of

\$4.6hn During this period exports increased by 7.5 per cent to \$15.27bn while imports rose by 27.7 per cent to \$15bn. At \$6,64hn interest payments on the foreign debt were up 8.9 per cent over the same period of 1988.

However, he warned that there was "an uncalled-for suphoria in some quarters that

The US yesterday responded

Before year-end, the IADB is expected to announce new projects now possible, with the aim to bring the 1989 total to \$2.2bn. Four project approvals have been announced this week, including an innovative \$360m credit scheme for medium and long-term financ-ing for the private sector in

#### **IADB** rules change to help Latin **America**

By Nancy Dunne in Washington

Inter-American Development Bank, facing fal-tering demand for loans this year, has agreed to an early modification of its lending policies to make new resources available for development in the debt-burdened Latin Amer ican countries.

The new rules were to go into effect next year, with the bank's seventh resource replenishment, which is expected to lift lending to \$22.5bn in

However, project authorisa-tions this year have lagged even behind the 1988 low lev-els as borrowers watted for an easing of the rules. The bank's governors - the finance min-isters of the member countries er countries took a vote to let new rules go into effect immediately. As a result, the bank said,

the IADB is likely to reverse this year a worrying decline in lending — a trend which began in 1984. Before the change, less than \$1bn in loans had been announced, down from \$1.682bn last year and \$3.565bn when lending peaked

in 1984. Under the new rules, the bank will be allowed to make loans covering 50 to 80 per cent of a project IADB loans had covered 30 to 40 per cent, and Latin American countries were unable to raise their share of the financing.

The IADB also approved a rule change to lift concessional lending, most of which is to be for countries experiencing the most severe economic problems. IADB soft loans will no longer be restricted to particular sectors.

Another \$34.7m loan will help finance a labour-intensive emergency public works project in Bolivia. A \$3.86m grant from the Japanese Special Fund will also help finance it.

### Political tripwire awaits Chilean hopes

Barbara Durr tells how an opposition front-runner could meet frustration

Congresional election on gible social values. December 14 election, the oppo-sition presidential candidate, southern Chile, Mr Aylwin

row win for Mr Aylwin, the nearly 750 documented cas 70-year-old Christian Democrat disappeared detainees s 70-year-old Christian Democrat disappeared detainees since who is the candidate of the 17party opposition coalition, torture have been common-indeed seem minimal. He has place. scored above 50 per cent in virtually every opinion poll this year. Public's support is clear on the Aylwin campaign trail.

Wherever he goes country's traditional

people to participate in what America."
he calls "the great crusade to reconstruct a free country."

While he makes the usual future for Chile. Mr Aylwin and the call of a conveying and the co

ONFIDENCE reigns in spending (promises Mr Büchi the heart of Mr Patricio also makes), the tone of the Aylwin. As Chile Aylwin campaign is more approaches its presidential and about the restoration of intan-

like his whole campaign, seems said: "My government would strangely serene, less con-mean real change, where the cerned about winning than dignity of the person is about the size of the victory respected, where people are not margin and how to govern humiliated, where people are when President Augusto Pin-listened to. We want a nation ochet has stepped down on that is just and good for all." In March 11 - 16 years and six part, his reference is the Pinmonths to the day since he schattered Chile's long democratic tradition with a military rights organisations have reg-Worries about a mere naristered many fewer cases of violations but there have been

Wherever he goes, crowds human solidarity, he says, has gather spontaneously to cheer been lost in the more individu-him or just to watch him pass alistic and competitive enviand wave. Mr Hernan Büchi, ronment of the Pinochet the right-wing candidate, does regime's free-market society. not inspire similar spontaneity. The opposition candidate is So Mr Aylwin spends less campaigning on the Chilean time in his campaign attacking version of President George his opponent than calling for Bush's "kinder and gentler

promises about more social said that the goal of economic

development "is not just to improve living standards but to have a better quality of life." He understands that he cannot criticise too roundly the economic successes of the military government during the last



Aviwin: Expected to win scores that the benefits of have not touched the majority

"There has been a lot of talk about economic progress in Chile," he told a rally of more than 10,000 in the southern city of Valdivia, "but it has not benefitted the common Chilean. In the last ten years, the top 20 per cent of the population has increased its portion of the national income from 51 per cent to 60 per cent. The

The US Government has

The pattern of the guerrilla

middle class and the workers have become impoverished in these years." Recent government statistics on income distribution back Mr Aylwin's charge.

Mr Aylwin and his coalition partners are counting on this vote to be largely in their favour. Mr Francisco Erra-zuriz, the third presidential candidate and a populist, will also garner some of these votes. Fewer Chileans of modest means are expected to cast ballots for Mr Büchi.

The opposition is aiming for as much as 60 per cent support at the ballot box in the first electoral round, though this seems optimistic. Indications suggest that Mr Aylwin will win outright in the first round, but with less than a landslide. A second round would be held if no candidate had an overall majority in the first.

The key to his ability to gov-ern from March will be the proportion of opposition candidates in Congress. Mr Aylwin has been energetically promo-ting his coalition partners' candidacies for Congress in the hope that he will have a majority there. The outcome is hard to judge, not least because of the way in which the military regime changed the electoral laws. Now, for example, if two seats are available in a given district (in the case of the House of Representatives) or

ate), at least one of the opposi-tion candidates would have to win more than 66 per cent of the vote to avoid having the second seat go automatically to

a right-wing opponent. The rules are pushing Chile's multi-party political spectrum towards a two-party system, which for the moment favouring the right wing. Chile's traditional political division is roughly by thirds with a right, left and centre— the last led by the Christian Democrats. Now, the Christian

Democrats have joined the left - an alliance not altogether comfortable - but the partners might not be able to take the required 66 per cent of the vote to win both seats in any given district or region. So the right could have as many as half the Congressional seats, although the popular vote were more

heavily for the left and centre. Mr Aylwin and his fellow opposition candidates are trying to overcome these considerable handicaps to the emergence of a workable government of their ilk. The danger is that, if Mr Aylwin has to contend with a recalcitrant Congress as well as Gen-eral Pinochet, who will remain army commander-in-chief, he might be too deep in the trenches of institutional warfare to create the kinder and gentler Chile he wants.

### US dependents out of Salvador | Candidates struggle for

DEPENDENTS of US embassy officials in El Salvador are being evacuated. An estimated 300 people were sheltering yesterday in the fortified embassy building in the capital San Salvador, waiting to be flown to the US during the day.

The implementation of diplomatic evacuation is a signal that a big conflict is expected and that protection cannot be eneranteed. Such a signal from the US indicates an ass of the ability of the Salvadorean armed forces to control the actions of the FNLN.

Embassy officials were remaining tight-lipped on the evacuation, but diplomatic sources in the city said other US citizens living in El Salvador were being recommended "to take long vacations".

Several European diplomatic ists seem to have been taken missions were also on the point of implementing evacua-tion for non-essential staff and hostage by the FMLN. The guerrillas announced a unilateral ceasefire until noon for their resident citizens. yesterday to let the Red Cross

evacuate families. The measures follow the occupation by left-wing FMLN guerrillas of western suburbs given more than \$1m a day on average over the last 10 years of the capital on Wednesday morning. The home of a US embassy official was attacked in military and economic assistance to the Salvadorean Govand badly damaged, and two French embassy officials had to be evacuated from their ernment to prevent the growth of the guerrilla army and a feared left-wing takeover of the homes by the Red Cross. One Western diplomat said: "We saw a group of guerrillas hav-ing a late breakfast on a neighbour's terrace."

offensive is beginning to resemble the final offensive of The guerrillas and the army the Sandinista guerrillas in have been recommending that residents leave the suburbs. Nicaragua in 1979, which brought about the downfall of Several Salvadorean industrial-

centre votes in Brazil

By Ivo Dawnay in Rio de Janeiro

BRAZIL'S two presidential candidates are scrambling to capture the centre among the country's 82m voters as Mr Fernando Collor de Mello continues to dominate the opinion

The former governor, whose 28 per cent in the first round of the election last month left him firm favourite for the December 17 run-off, is trying to shrug off his right-wing image and bolster his appeal as a radical reformer.

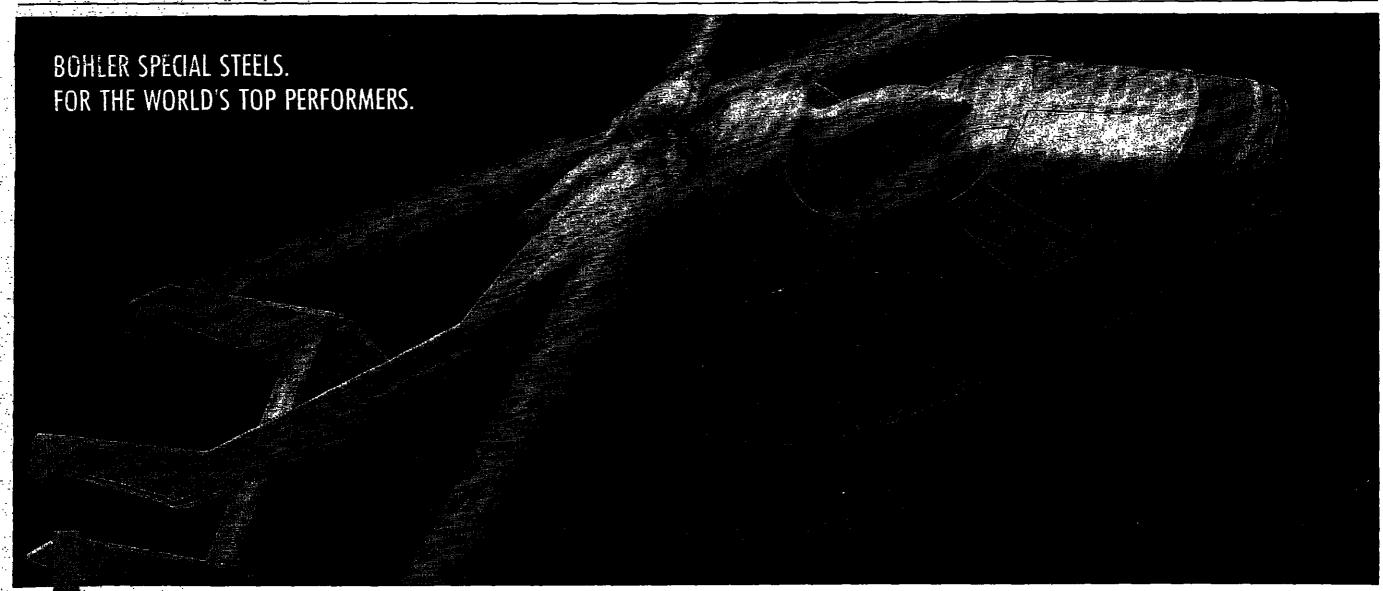
Mr Luís Inácio Lula da Silva, his left-wing rival who won 17 per cent in the first round, is trying to expand his National Popular Front (FPN) beyond the socialist camp.

Mr Collor has been recording about 50 per cent in the opin-ion polls against about 38 per cent for Lula.

Much may depend on the Social Democratic Party, whose candidate Senator Mario Covas came fourth last month. About half the party believes Mr Collor represents a continuation of the discredited outgoing regime, and that the party's commitment to an end to the old oligarchy must ally it with Lula. Others argue that, distasteful though they find Mr Collor's elitist background, his liberal econmic prescriptions are far closer to Mr Covas's

demand for a "shock of capital-

ism" than Lula's views.



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### Anglo-Japanese venture to bid for HK airport

By Michael Marray in Hong Kong and Andrew Taylor in

A POWERFUL Anglo-Japanese consortium has been formed to bid for the design and con-struction of an international airport, a six lane motorway and a high speed rail link in Hong Kong. The contract would form a large part of a HK\$127bn (£10.3bn) port and airport development airport development announced eight weeks ago by

the Hong Kong government.
The consortium is led by Trafalgar House and Costain the British construction, engineering and property groups and by Mitsui the large Japanese financial and industrial conglomerate. It is supported by the British and Japanese governments which are expec-ted to a provide loans.

The Hong Kong Government said it expected the private sector to provide between 40 per cent and 60 per cent of the total costs. The availability of private finance is likely to be the key to whoever wins the

A high level delegation from the conscrtium visited Hong Kong several weeks ago to present its plans to the government. These included a proposal that the consortium manage the entire project.

Development would include the world's largest suspension bridge, a two-runway international airport at Chek Lap Kok next to Lantau Island; a road link form Pring is klend; and and link from Tsing yi Island and a high speed rail link.

By moving quickly the con-sortium hopes to establish itself as the front runner for

The Japanese will bring with them financial backing and experience in the Hong Kong construction sector while Trafalgar House has good con-nections with the Jardine Matheson group, through their joint ownership of Gammon

Construction.
Government officials said Nishimatsu the Japanese con-tractor, which has co-operated with Gammon on several major projects in Hong Kong as well as Japanese groups IHI and Nippon Steel are also involved with the consortium. Construction is planned to begin in 1991 and the first run-way will open in 1997.

## makers look to Tokyo

By Michiyo Nakamoto in Tokyo

gramme.

The programme, sponsored by an agency of the Ministry of International Trade and Industry (Miti), highlights Japan's growing interest in building up its aerospace industry. The fact that foreign companies were invited to participate suggests invited to participate suggests Miti is responding to pressure from foreign governments to let foreign companies partici-pate in its research and devel-

opment projects.
Rolls Royce of the UK and

## US battle with EC over subsidies deepens

By William Dullforce in Geneva

THE EUROPEAN Community and the US yesterday diverged sharply on how to curb govern-ment subsidies that distort competition in international

The US called for an outright an on a range of domestic industrial and agricultural supports as well as on export subsidies in a proposal tabled in the group negotiating on subsidies in the Uruguay Round trade talks.

The EC argued that domestic subsidies were legitimate instruments of social and economic policies and said agricultural subsidies offered a special problem that should be handled in the talks on farm trade reform. Interference in a counreform. Interference in a country's sovereign use of its domestic instruments could be justified only if it could be demonstrated that they had negative effects on other countries' trade interests, the Community stated in its submis-

sion to the group.
A crucial objective of the Uruguay Round is to reinforce

TEXTILE LABOUR COSTS

By Alice Rawsthorn

cost competitiveness of the

industries in South Korea, Taiwan and, to a lesser extent,

control under the General Agreement on Tariffs and Trade of the massive and rap-idly swelling government sub-sidies to industry and agricul-

Last December trade ministers approved a framework that would divide subsidies into those that are prohibited; those that are not banned but against which countervalling action can be taken, if they are shown to have injurious trade effects; and those against which no action will be

allowed.
Under the US plan most government subsidies would fall into the prohibited category. into the prohibited category. Under the EC proposal many types of subsidy would be permitted and most of the rest would not be prohibited but would be open to countervailing action, if a damaging trade impact could be proved. The EC outlines in some detail how Gatt rules for such action could be clarified and could be clarified and

improved.
The US and the EC agreed

High wages begin to plague

South Korea and Taiwan



only on the need to prohibit export subsidies. The thrust of the US paper reflects the emphasis Mrs Carla Hills, the US Trade Representative, has recently been putting on curbing subsidies.

and Italy, which dominate the

European industry, paid their textile workers \$13.17 and \$13.03 respectively. Labour

costs in the UK industry, at \$8.18, were lower than those of most of its competitors.

Japanese spinning and weav-ing companies paid their work-

Mr Rufus Yerza, Deputy Trade Representative, referred specifically in his paper to the \$600n, with which the US alleges gov-ernments around the world subsidise their steel industries. Steel and shipbuilding illus-trated the need to develop credible disciplines for domestic subsidies in all sectors, Mr Yerxa said. A domestic subsidy, that was well "crafted" could do everything that an export subsidy did. Washington wants to extend the list of Gatt-prohibited sub-

sidies to include:

Those contingent on an enterprise meeting a domestic content or local sourcing requirement.

Subsidies going to companies that are predominantly

 Domestic subsidies that exceed a given percentage of a company's total sales. Where imports benefited from such subsidies, the importing coun-try should be able to impose a duty or them cannot be the duty on them equal to the amount of the subsidy.

The EC wanted the definition of a subsidy to be limited to action which involved a cost for a government and was specific to a firm or industry. A distinction should be drawn between general measures designed to stimulate economic designed to stimulate economic activity as a whole and measures with identifiable beneficiaries whose competitive position was improved by governmental intervention.

Current US-EC trade disputes have clearly influenced the proposals. Thus, the US wants governmental insurance against exchange rate risks prohibited an idea that reflects

against exchange rate risks prohibited, an idea that reflects Mrs Hills' anger over the exchange rate guarantees provided by the West German government for the production of European Airbus aircraft.

The EC wants the negotiations to cover the civil "spillover" effects of military spending reflecting its counter claim.

ing, reflecting its counter claim that US civil aircraft produc-tion is heavily subsidised by government grants for defence research.

#### **US semiconductor** industry fears confirmed

By Louise Kehoe in San Francisco

THE Bush Administration's emerging hard-line policy against government interven-tion in industry has been con-firmed this week by the Presi-dent's chief science and technology adviser. It is opposed to increased funding for semiconductor and consumer electronics programmes, he stressed in Congressional

testimony.
Mr Allan Bromley, director
of the Office of Science and Technology, told the Senate Subcommittee on the Defence Industry and Technology that recommendations made by the National Advisory Committee on Semiconductors (Nacs) are on Semiconductors (Nacs) are at odds with the Administra-tion's goals. But in his testi-mony, he denied reports of Administration plans to cut its current level of funding for Sematech. "I personally am completely unaware of any

move to reduce support for Sematech," he said. The committee, comprising industry executives, academics and government officials, issued its first annual report last week. Titled "A strategic

industry at risk", it recom-mends a substantial increase in government funding for Sematech, the US semiconduc-tor industry research consor-tium which aims to re-estab-lish US leadership in chip manufacturing technology.

Nacs also called for the establishment of a publicly supported investment corporation to fund efforts to rebuild umer electronics.

Mr Bromley acknowledged the semiconductor industry faced severe problems, but said "money for direct government subsidies to somehow reverse the situation by brute force is not now available."

His testimony marked the first official confirmation of the confirmation of reports that the Administra-tion has turned against govern-

boost the competitiveness of the US electronics industry. Over the past six months, Administration officials have muted their enthusiasm for industry proposals for a major government-backed pro-gramme in High Definition

ment backed programmes to

\$900m loan for Soviet, **US** venture

World Trade Editor

A HARD currency loan package of some \$900m is in preparation for the joint venture to establish a petrochemi-cals plant at Tobolsk in the Soviet Union announced by Combustion Engineering of the US earlier this week.

The package will include between \$500m and \$600m in export credits and between export creatis and between \$250m and \$300m in commercial bank loans. In keeping with the growing trand in Soviet project finance, banks involved in this loan will have to accept some of the commercial risks associated with the season of the commercial risks associated with the cial risks associated with the \$2hn joint venture, believed to be the largest yet announced.

Mr Max Abitbol, Combustion Engineering's managing director for international finance, said yesterday that the balance of the project cost would be made up of some \$600m equivalent in equity, part of which will be supplied by the Soviet authorities and about \$500m equivalent in roa-ble loans.

The structure of the packag has been agreed in outline but details will take some six details will take some six months to negotiate with the main banks involved, Credit Lyonnais, First National Bank of Chicago and Postipankki of Finland. Meanwhile the venture, which is being advised by Morgan Grenfell, is to arrange hridging finance.

There will be a Soviet government guarantee on the

There will be a Soviet government guarantee on the export credit part of the package, but the Soviet authorities are expected to do no more than guarantee completion of the project and deliveries of propylene, polypropylene and thermoplastic clastomers when providing support for the commercial bank loan.

This product will be sold to Neste of Finland, one of the joint venture partners, and banks are expected to have to

banks are expected to have to shoulder the risk that the price it fetches will be sufficient to cover debt servicing.

Export credit agencies expected to be involved include those of the UK, France, the Netherlands, Austria and Finland. Their locality of \$1. will carry a maturity of 812 years. The commercial bank portion will mature five years after construction is complet expected to be in early 1994.

## Top Western aero-engine

THE FOUR top Western aero engine manufacturers have applied to participate in a Japanese-sponsored supersonic engine development pro-

estimated to cost Y28bn (£125m) over an eight year period from next year, is being sponsored by Miti's Agency of Industrial Science and Tech-nology. Ishikawajima Harima Heavy Industries (IHI), Mitsubishi Heavy Industries and Kawasaki Heavy Industries have applied to join.

Japan has lagged far behind the West in aerospace but the rising costs and risks have led Western manufacturers to Rolls Royce of the UK and increasingly seek Japanese fin-France's Snecma along with ancing capacity and production General Electric and Pratt and Whitney of the US, have sub-

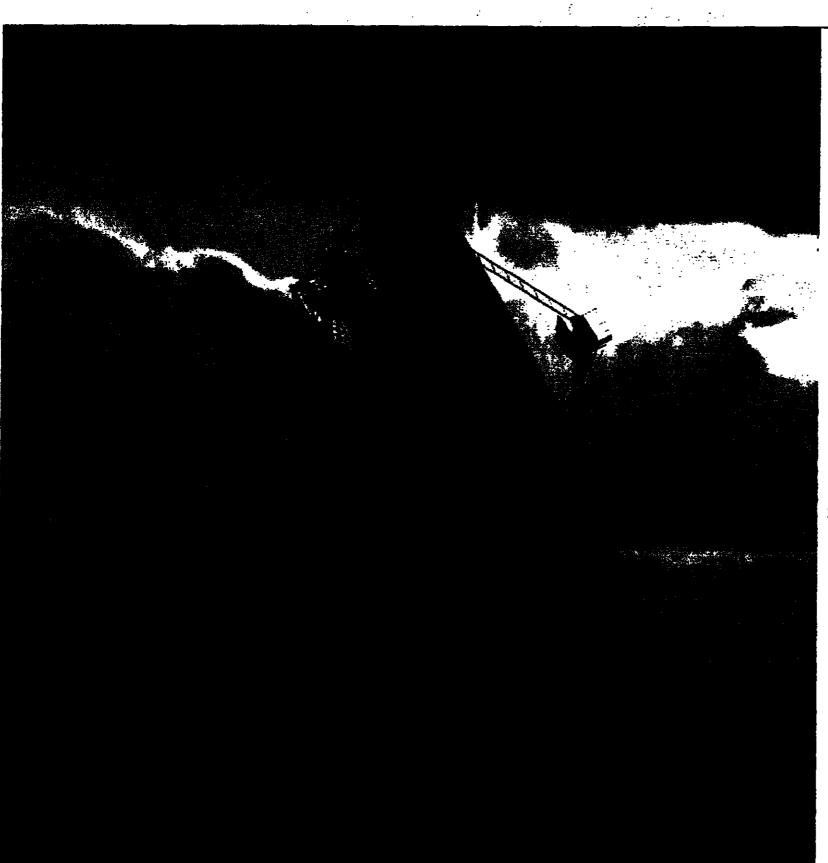


determining the competitive-ness of the international spin-ning and weaving industries Hong Kong is being eroded. South Korea's textile induswhich, despite recent advances in automation, are still highly try saw the hourly cost of labour rise by 25 per cent - in US dollar terms - to \$2.87 between the spring of 1988 and spring this year. Labour costs labour intensive.
The cost of labour in the established industries is still far higher than in the Asian countries. But a new study by Werner International, a manrose by 21 per cent to \$3.56 in Taiwan and by 11 per cent to agement consultancy specialis-ing in textiles, shows that the

\$2.44 in Hong Kong over the same period. The Swedish industry had the highest labour costs - at \$14.60 - of all. West Germany

At the other end of the spec-trum the cost of hourly textile labour in Indonesia was \$0.23 and Ugandan textile workers received even less - just \$0.16 little more than 1 per cent of the amount received by their counterparts in Sweden.

Spinning and Weaving Labour Cost Comparisons, Spring 1989, is available free of charge from Werner Interna-tional, 111 West 40th Street,



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By Raiph Atkins and Patrick Harverson

THE Government yesterday attempted to clarify its exchange rate policy following recent falls in sterling and confusion about its commitment to

into account when setting interest rates. "That has been and remains our policy," he

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Black Conference 

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Re did not mention specifi-cally that the Government wanted a strong pound during Treasury questions but Mr Norman Lamont, chief secre-tary to the Treasury, told MPs that the Government continued to favour a "firm exchange

Treasury officials later described starting's depreciation in the past few weeks as "unwelcome." Since Mr Major became Chancellor following the resignation of Mr Nigel Lawson, the pound has fallen more than 5 per cent against the D-Mark.

On foreign exchange markets yesterday sterling had a quiet day. After opening firmer against a weaker D-Mark, it ended unchanged at DM2 7925 and against the dollar, up just under a quarter of a cent at under a quarter of a cent at \$1.5690. The Bank of England's trade weighted sterling index (1985=100) finished 0.4 higher

In the past week, the pound has been undermined by specu-lation that the Treasury was no longer prepared to raise interest rates to support the

currency.
The Chancellor's comments to MPs followed pressure from Labour urging the Government to clarify its exchange rate pol-icy and its attitude to the

MPs should have a greater role in examining European legislation, said a Parliamen-

tary report published yestera strong currency.

Chancellor John Major said on changing the scrutiny of in the House of Commons that the exchange rate was one of joined the European Community in 1972. The report is the result of an inquiry launched after pressure from both sides of the House over the inadequacy of existing procedures.

> exchange rate mechanism of the European Monetary Sys-

At a Kinancial Times conference, Mr John Smith, opposition spokesman on the econ-omy, said Mr Major was following the "anti-EMS" line of the Prime Minister and her former economics adviser, Sir Alan Walters.

Mr Smith said: "His recent description of the exchange rate mechanism as 'no more than a contrivance' and his current acquiescence in a falling exchange rate hear all the hailmarks of Sir Alan Walters — whose soul, it seems, is marching on."

However, Mr Smith added that Labour had "major reser-vations" about stages two and three of the Delors report on European economic and monetary union. Stage two includes the setting up of a European central bank and stage three would institute a common currency in Europe.

"We would not be willing to accept any system of central banks which would be independent of political control, he

#### **Court rules** for record £1.5m libel damages

By Raymond Hughes and **Robert Rice** 

LORD ALDINGTON, a former chairman of Sun Alliance, was yesterday awarded record libel damages of £1.5m by a High Court jury over accusations that he had been a war criminal.

Yesterday's award - after

41-day trial – was made against Count Nikolai Tolstoy, an historian, and Mr Nigel an historian, and Mr Nigel
Watts, a property developer.
They had produced a pamphlet
which alleged that in May
1945 Lord Aldington – then
Brigadier Toby Low – "Issued
every order and arranged
every detail" of the handover
of 70,000 Cossacks and antiTito Yngoslays to the Red Tito Yugoslavs to the Red Army and Marshal Tito's forces, knowing they would be tortured and massacred. Ten thousand copies of the pambles were existed. phlet were circulated.

Lord Aldington, aged 75, a former deputy chairman of the Conservative Party, claimed during the trial that he was

the victim of a "witch hunt". Mr Justice Michael Davies suspended the award pending a possible appeal by Count Tolstoy and Mr Watts, who were also ordered to pay legal costs estimated at £1m.

### Leaked memo reveals extra concessions on Rover sell-off

By Kevin Done, Motor Industry Correspondent

THE National Audit Office report published this week into last year's sale of Rover Group to British Aerospace was already a damning document. The NAO, which audits and certifies the accounts of gov-ernment departments, said baldly that Rover was sold at a price "significantly short of the

real value of the company."

What the NAO omitted from its report, at the request of the Department of Trade and Industry, were the lengths to which the Government was prepared to go to offload Rover when BAe appeared ready to back away from the deal.

These details were contained in a separate confidential mem-orandum submitted to the Accounts Committee, in confidence by Mr John Bourn, head of the NAO. The job of the Public Accounts Committee, the Parliamentary select com-mittees which examines the way in which public money is spent. The memorandum, leaked on

Wednesday, reveals that Lord Young, who was Trade and Industry Secretary at the time of the sale in August 1988, was prepared to grant BAe extra concessions worth up to 238m. These concessions were added after the Government had

pean Commission on terms for the Rover sale, and were not revealed to the European Com-

The confidential memorandum discloses that:

• payment by BAe of the £150m purchase price for Rover would be delayed up to the end of March 1990. The DTI estimated the value of this concession at the time of sale at • the DTI agreed to grant up

to 29.5m towards the £12.8m BAe paid for the 0.2 per cent of the Rover equity held by private shareholders. • the DTI agreed to reimburse Rover £1.5m for costs it incurred in facilitating the BAe

• the DTI agreed to take over BAe's £5m contribution to the Columbus polar platform programme administered by the European Space Agency.

The memorandum also dis-closes for the first time the

identity of the four companies which also expressed interest in acquiring Rover.
The NAO says Ford of Europe, Volkswagen of West Germany, Lonrho, the UK con-

glomerate acting in partnership with Toyota of Japan, and Melton Medes, a Nottinghamshire company, showed interest in Rover after it had been March that negotiations had been started with BAe. None of these overtures were

turned into firm bids - the Government had granted exclusive negotiating rights to BAe and an outline deal was struck before those rights expired. The most surprising revela-

tion in this section of the memorandum is that Toyota, the Japanese car maker, was co-operating with Lonrho. Rover had been working closely for nearly a decade with Honda, one of Toyota's leading rivals. Since the BAe takeover, it has been agreed that Honda should take a 20 per cent stake in Rover's vehicle operations. The third important revela-

tion in the NAO memorandum was the five-year profit fore-cast for Rover contained in its 1988 corporate plan, which indicated profits before interest and tax for 1988 of £37.5m, for 1989 of £52.4m, 1990 £103.8m, 1991 £90.8m and 1992 £142.5m. Despite its dismal track record of chronic losses in the 1970s and 1980s, the memoran-dum shows that the Government knew BAe was taking over a company that expected steady profits through the early 1990s. Rover increased its profit before interest and tax by 233 per cent in 1988 to 265.7m.

Strike leads BAe to lay off workers, affects Airbus

BRITISH AEROSPACE is to lay-off 130 employees by the end of the week and put another 500 on three-day weeks because of the strike by man-ual workers at its Chester plant in support of a 35-hour

The strike is also starting to affect production elsewhere in Europe by Airbus Industrie, the four-nation European aircraft manufacturing consortium of which BAe is part. BAe's Chester plant pro-duces wings for the Airbus narrow body twin engine A-320 and wide body A-300. The wings are then sent to Ham-

burg for outfitting before being sent to Toulouse for final assembly by Aerospatiale.

Aerospatiale, the French partner in Airbus, is reducing partner in Airbus, is reducing production and final assembly of Airbus narrow body and wide body aircraft at Toulouse in south west France to avoid the risk of a complete closure if the strike continues. The 500 British workers who

will go on three-day weeks, at reduced pay, are all based at the company's Filton, Bristol, plant. Another 30 will be laid-off at Filton, in addition to the 50 who have already been told

In Manchester, 100 workers will be laid-off without pay. Both the Manchester and Filton plants make components for Airbus wings and their workload has been reduced as

a result of the Chester strike.
The Chester plant is one of three BAe plants where mannal workers are striking. The company warned yesterday that more lay-offs would follow if the strikes continued and that the military equipment division was likely to be affected for the first time. Mr Maurice Dixson, manag-

ing director of BAe's commercial aircraft division, told workers yesterday that the strikes were unnecessary. At Chester, the company had offered talks on a two-hour reduction from the 39-hour week. In return, it wanted agreement on improved pro-ductivity and changed working

practices. The strikes campaign at BAe and two other companies. Rolls-Royce and Smiths Industries, is in its fifth week. So far, the national campaign has produced only one agreement for a reduced working week. That affected about 1,700 employees of NEI Parsons, a Rolls-Royce

### Meyer throws down gauntlet to Thatcher

By Michael Cassell, Political Correspondent

THE challenge to Prime Minister Margaret Thatcher's leadership of the Conservative Party was formally under way last night, with Sir Anthony Meyer, the 69-year-old MP for Clwyd North-West, emerging as the only alternative candi-

With no other challengers appearing before yesterday's noon deadline for nominations, Sir Anthony said his candidacy would offer Tory MPs the only chance to register their disap-proval of Mrs Thatcher. It would be "unthinkable" for the party to hold another election

next year, he added.

The results of the secret ballot among 374 Tory MPs - the first since Mrs Thatcher won the post in 1975 - will be announced next Tuesday evening. A second ballot is not

Although Mrs Thatcher is expected to record an overlming victory, MPs will be watching the scale of absten-tions for signs of any extensive disenchantment over Mrs Thatcher's leadership. Last night, Mr George

Younger, the former defence secretary, announced that the prime minister had accepted his offer to be her campaign manager. The decision was being seen as a sign of Mrs Thatcher's personal determina-tion to take nothing for granted and to maximise sup-

Mr Younger's principal role will be to answer the Tory MPs questions and to publicly promote over the next four days Mrs Thatcher's leadership qualities and achievements. He rejected the idea that his appointment would give the campaign a higher profile than both sides had agreed upon.

Mr Younger denied Sir Anthony's allegation that Mrs Thatcher had been "whipping up dislike" for the European Community, claiming she was a "very strong European, whose job it is to stand up for British interests.

Mrs Thatcher, who has a vote in the contest, will con-tinue with her planned commitments until ballot day. She will today meet Mr Jacques Delors, the EC Commission president, for talks before next week's European Council meet-ing in Strasbourg and will spend the weekend at Chequers, her country residence, where she will meet Mr Lech Walesa, the Polish Solidarity Sir Anthony's Gambit, Page 15

# The sweet smell of success in Telford!



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THE SUCCESS STORY CONTINUES

### Vauxhall unions close to engine plant deal

By Michael Smith, Labour Correspondent

night they were close to agree-ment with Vauxhall, the GM ment with vanish, the tem subsidiary carmaker, on a series of work practice and col-lective bargaining changes that the company is seeking as a pre-condition for General Motors to build an engine plant at Ellesmere Port on Mer-servide.

seyside.
The company said considerable progress had been made in six hours of talks involving Mr. Paul Tosch, Vauxhall's chairman, and Mr Jack Adams, the union negotiator. The talks ended at 3 am yesterday, and the company was optimistic that a deal could be struck by next Monday, the company's

Vauxhall had previously told the unious that unless agree-ment was reached, it would be unable to ask its GM parent to site the plant for its V6 executive car engines on Merseyside in north west England. General Motors is considering Kaiser slautern in West Germany as an alternative manufacturing

The Mersey plant would provide jobs for about 400 people, compensating for expected job losses resulting from working practice changes at the exist-ing Ellesmere Port facility. It pould also help secure the ture of the Ellesmere Port int, employing about 5,000. Westerday's talks on the smere changes took place

UNION LEADERS said last before separate talks aimed at resolving a dispute over pay for Vauxhall's 9,000 manual employees. The talks were continuing lest night.
In the Eliesmere talks, the company dropped a previous

for manual employees, saving it would be willing to negotiate two-year agreement. The two sides also agreed in

principle on a continuity of supply deal. Under this, unions would retain their right to strike: they had earlier accused the company of seeking a no-strike agreement.

Although there would be

scope for arbitration if the two sides failed to resolve an issue this would only happen if both sides agreed.

Management and unions have also reached an understanding on the company's desire for a reduction in the number of shop stewards at Ellesmere Port. Although a phased reduction from more than 150 shop stewards pres-ently in place would be likely, union leaders say there would

still be more than 100. The unions are thought to be close to accepting double day shifts in principle, enabling the plant to stay open for longer

each day. Ambulance unions said yesterday that they were not planning to escalate their industrial action over a rejected 6.5 per cent pay offer.

## approval for new Piper project

OCCIDENTAL Petroleum yesterday received government yesterday received government approval to redevelop the Piper oilfield in the North Sea, close to the site of last year's Piper Alpha oil platform disaster in which 167 men were killed when the platform was destroyed in a series of explosions.

The new development is to cost of £580m, some 80 per cent of which is to be spent in Britain. This will create 3,000 jobs during the construction period, mainly in the north east of England and Scotland.

Occidental, the safety record of which is under intense scru-tiny in a public inquiry into the disaster, chaired by Lord Cullen, stressed that safety in the design of the new platform

was a prime consideration. Mr Peter Morrison, energy minister, said yesterday: "It is clear to me that Occidental is giving safety the highest priority in the consideration of the redevelopment of the Piper

Occidental is subjecting the project to an independent safety audit and is pledged to make any design changes required as a result of the public inquiry, which is now tak-ing evidence on safety recomdations, and is expected to conclude early next year. The Government has said it would

act on any recommendations made by Lord Cullen. The field is to be redeveloped using a 46,000 tonne eight-legged steel platform, with a capacity of 140,000 barrels a day. First oil is expected to flow in 1992 at a rate of 75,000 barrels a day - about 150m barrels of recoverable oil

remain in the reservoir. The platform is also designed to process oil from the smaller Chanter field and East and South Piper fields.

Occidental is shortly to install a 200 tonne subsea drilling template at the site to predrill six wells prior to installation of the installation. tion of the jacket.

 There may be a 3 per cent shift in the equity hold-ings of the Statfjord cilfield in the North Sea which straddles the median line dividing UK and Norwegian waters to give Norway a more powerful holding, according to Norwegian officials who were commenting on the 1989 re-determination.

### Occidental wins | Power chief attacks plan to drop N-programme

By David Fishlock, Science Editor

THE Government abandoned its nuclear power programme because electricity privatisation forced short-term commer-cial judgments upon a project whose primary value was long-term and strategic, Lord Marshall told the British nuclear industry last night. Lord Marshall, in his first public statement since the Government abandoned three of the four planned nuclear sta-tions, said he could not accept the decision and was "very disappointed indeed." He told the British Nuclear

Energy Society in London that he was therefore considering his position both as chairman

THE Post Office's first-class letter service was yesterday described as deplorable by the House of Commons all-party Trade & Industry Committee. In a hard-hitting report, the committee said it was "alarmed not only by the poor quality of service but also by indications that the trend may

ndications that the trend may

be for a worse quality of ser-vice." It recommended that the

Post Office attach prime impor-tance to achieving an accept-able standard of service for

The committee's report is

the latest in a series of criti-

By Hugo Dixon

first-class letters.

of the Central Electricity Gen-erating Board and chairmandesignate of National Power, the company which would suc-ceed the CEGB if privatisation goes ahead as planned.
Although he did not like the

form privatisation was taking, he believed the story of nuclear power in Britain was a powerful argument for it, because of the appalling effects of 40 years of government

Lord Marshall strongly denied suggestions that the CEGB had failed to keep the Government properly informed

cisms levelled at the Post Office's handling of first-class letters. Earlier this year, the

Mail Heers Association claimed

that only 52 per cent of first

class letter arrived at their des-tination on the day after post-ing, while the Consumers Asso-ciation has suggested that

there has been a decline in the

The Post Office, however,

argued that a £65m investment

programme was evidence that it was already giving priority to improving the letter service. It said its latest figures for

October showed that 80 per

service since 1985.

MPs hit at 'deplorable' post

kinson, former Energy Secre-tary, in late 1987.
"I argued with him then, and I still believe it to be true, that a successful nuclear power pro-gramme is best pursued by a large generator which has the obligation to supply in a defined geographical area."

hard personal negotiations, saying he had "received no proposal from the Government and made none to them." But he agreed with two statements made to Parliament last month by Energy Secre-tary John Wakeham: that

cent of first-class letters arrived the next day. The Post Office also claimed

it was providing just about the

postal service in Europe while at the same time being the

most consistently profitable

The committee also recom-mended that the Post Office should be given more freedom

in its investment decisions.

Post Office financial decisions

are currently constrained by

external financing limit, which the committee thought was

service.

best value for money" of any

He also denied reports of

because of high capital charges and the return on investment.

Extending the life of the first-generation Magnox sta-tions under public-sector financial terms – as discussed yes-terday by Mr John Collier, chairman of the nuclear power

value for money," Lord Mar-shall said. Fuel service charges and decommissioning costs had not caused the abandonment of the three pressurised water reac-

generating company, Nuclear Electric – would be "excellent

principal concerns about pushed up our estimates of nuclear power prices arose because of high capital charges were the realities of satisfying

National Power was getting messages from the banking community stressing two points. "The first was that we would be expected to pay off our beautiful over a much

The second message was that the banks wanted full gov-

sales under pressure

the financial markets.

our borrowings over a much shorter period than 40 years and that we should therefore seek shorter contracts."

ernment guarantees of the debt, as well as assurances that all significant risks would tors. either be passed to consumers "The factors which really or carried by the Government.

**Sunday Correspondent** 

SALES of The Sunday Correspondent, Britain's new

quality Sunday newspaper, are coming under increasing pres-sure and have now fallen

markedly below 300,000. Mr Nick Shott, chief execu-

tive of the paper, said yester-day last Sunday's issue sold an estimated 285,000 copies and he conceded that "there is still

some downward momentum in

Sales, he suggested, were

already showing signs of the pre-Christmas period when

By Raymond Snoddy

By lan Hamilton Fazey, Northern Correspondent NEAR final proposals were revealed yesterday for an

rages, which harness tidal energy. would create a market for the barrage company and enable it

tors in the project.
Finance for the barrage is planned at 25 per cent equity,

planned for 1992 for construc-tion to start soon afterwards. About 5,000 johs would be ex-Rarlier estimates of costs

ising high technology construction techniques untried on such a scale in Europe. The MBC has since been advised by potential investors

The latest work on the bar-rage suggests it would produce ity a year, equivalent to 720,000 tonnes of coal. This is

Mr Lech Walesa, leader of London, welcomed Britain's decision to double its aid package for Poland, but said more was needed. Mr Walesa also said he would try to persuade Mrs Margaret Thatcher, UK Prime Minister, to play a greater role in European affairs when he met her.

American Airlines, a leading US carrier, has applied to oper-ate daily services from Glas-gow to North America next year if the British Government ends Prestwick Airport's monopoly on transatiantic flights from Scotland.

Mr Chris Patten, Environ-ment Secretary, confirmed the compulsory purchase order which will allow Japanese car manufacturer Toyota to buy the land needed for its £700m UK assembly plant in south Derbyshire. The plant will be the biggest single Japanese

Sunday.

All the signs are, however, that the Correspondent is not yet facing serious financial problems with circulation close to the figure predicted for this period of its life. In Brief

they are traditionally weak. Mr Shott said he saw "no prospect now of any unturn until the early to middle part of Janu-

on January 28 the new paper will run into intensified compe-tition with the scheduled launch of The Independent on

**Charities** angered at **BBC** delay on appeal

Leading British charities have been angered by BBC Televi-sion's delay in responding to their request for a special appeal for Ethiopia, where at least 4m people affected by drought and war risk running

The request was made last Thursday but despite pressure for an early decision the BBC has so far not responded. A BBC spokesman said last night that "extensive discussions" had taken place, and a decision would be made today.

One sensitive aspect of the relief efforts under way, however, is that much of the sid to Ethlopia will have to be delivered in co-ordination with with the Government.

Walesa calls for aid

Poland's Solidarity trade union who is on a four-day visit to London, welcomed Britain's

AA flight plans

Toyota plant order

2800m electricity-generating barrage across the River Mersey in north-west England. The project has drawn strong interest from the European nvestment Bank Investment Bank.

The Mersey Barrage Company (MBC), which is backed by a consortium of 23 leading financial, engineering, building and local private sector organisations, will attempt to attract further investment by taking the first steps towards creating a market for its element.

Plans near

completion

for £800m

Mersey

barrage

It will apply to be officially registered as a non-fossil fuel source of electricity for the privatised supply industry.
The privatised power industry will be obliged to take 20 per cent of supplies from non-fossil fuel generators, such as nuclear power stations, or renewable sources such as bar-

to negotiste putative contracts with the Merseyside and North Wales Electricity Board (Man-web) and its successors. Man-web is one of 15 original inves-

with the European Investment Bank and possibly two other large hanks providing the rest of the money as loans. A Parliamentary Bill is

ranged down to under £500m,

to stick to conventional methods where costs, though higher, are more certain and controllable.

Actions

only 0.65 per cent of energy demand in England and Wales but enough to meet three-quarters of Liverpool's electricity

cal director of the MBC, said yesterday that an eventual overall rate of return of near 10 per cent was being assumed in calculations. However, returns would be nil in the first five years, during con-

Barclays de Zoete Wedd, the company's merchant banker, has devised a funding mechanism to reward early investor; with premiums and enhanced returns for taking a holiday on

early dividends.
Mr Des Pitcher, chief executive of Littlewoods and chairman of the MBC, said yesterman of the MBC, said yester-day that with operating costs of £10.5m a year, the barrage's electricity would be about the same as conventionally pro-duced power over the first 25 years of its life while it was repeying construction costs.

But for next 100 years its power would cost only 30 per cent of that from conventional

The barrage would dam the

Mersey between Liverpool and Rock Ferry, south of Birken-head, but upstream of Liver-pool docks and Tranmere oil terminal, so the bulk of shipping would be unaffected. Ships using Garston docks and Manchester Ship Canal would have to use locks in the bar-

### Accounting body to end merger loophole

By Richard Waters

THE ACCOUNTING Standards Committee yesterday agreed plans to remove the loophole which allows companies to account for takeovers as though they are mergers. Merger accounting enables a company to avoid the creation of goodwill and so leaves its reserves and pre-tax profits intact from the disadvantages of writing off goodwill. At present, a merger for

accounting purposes is one in which at least 90 per cent of the consideration is in the form of shares rather than cash.

Theoretically, this leaves both companies' shareholders with an interest in the combined group and so represents a true merger. In reality, acquirers have been able to take full control by means of vendor rights issues or plac-ings, which satisfy the letter but not the spirit of the stan-

The Committee plans to restrict the use of merger accounting by defining the cir-

cumstances in which it can be used more tightly. These

 Neither of the merged com-panies should see themselves as the acquirer;
Neither should dominate the management of the com-bined group, either formally or

informally,

• Neither company's equity shareholders should have disposed of a significant propor-tion of their shares or reduced

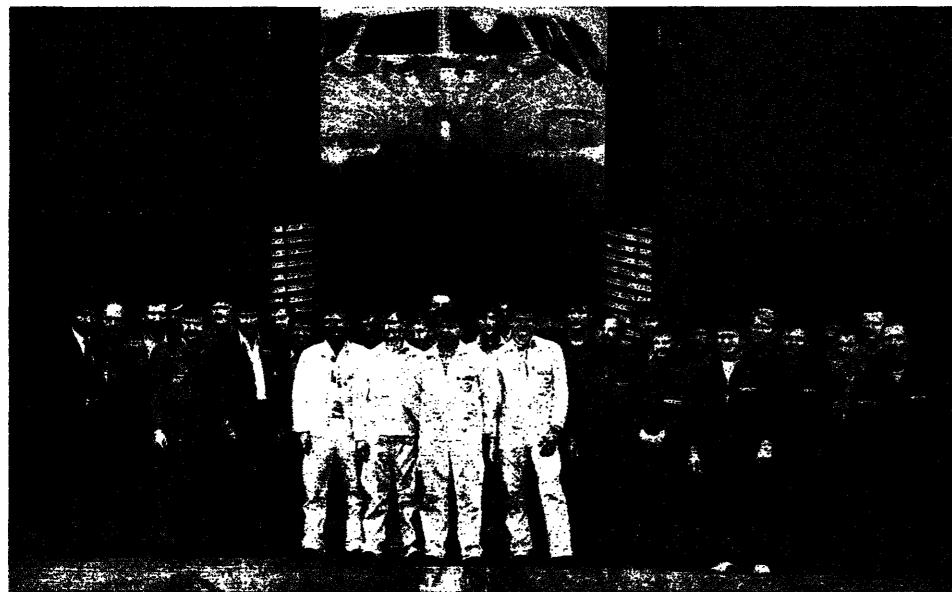
their rights;

Neither should be more than 50 per cent larger than

• The share of the equity in the new group should not depend on the inture perfor-mance of either of the busi-

The proposals will be published in the form of an exposure draft early next year, at the same time that the committee publishes draft rules on related matters such as good-will and how to account for brands and other intengible

### Our most important passenger benefits are the ones you never see.



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considered to be exemplary. We have been maintaining our own aircraft for over 63 years now. But not just our own aircraft. At present, some 10,000 technicians are employed in the Lufthansa hangars: to look after our fleet, as well as the aircraft of another 150 customers. Because we're not Throughout the world, the train- the only ones to think highly of German thoroughness.



Lufthansa

London Houal Portrait Gallery. Tom

Phillips - The Portrait Works; a thorough, self-explanatory, painstaking survey of the work of our most painstaking artist. always interesting and sor times lively. Deily until January 21 except bank holidays. lection 1839-1989. Until January National Portrait Gallery. Lewis Morley - Photogra

of the Sixties: a study of the work a photographer now all but forgotten yet author of some of the most memorable images of the period, with Christine Keeler naked astride her chair the most famous of them all. Until

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Musée des Arts Decoratifs. Je suis le Cahier - Picasso's sketch-books. After two years of mean-daring the world over, the exhibi-tion ends, apily, in Paris. The 40 sketchbooks covering a period of 64 years follow closely Picas-so's development. There are cub-ist list nignes decomposing realist flat planes decomposing reality next to the fulness of neo-classical figures, there is the almost sugary rendering of the mother and child theme next to the cruelly distorted female faces, there are all the facets of Picasso's inventive genius. Rue de Rivoli (42603214), closed

Tue. Ends Dec 31. Grand Palats. Archaeology in France. The exhibition pr 30 years of discoveries with some 3,000 objects, beginning with the inevitable skulls and fint tools and ending with finds from the Louvre foundations. A rein-der skeleton, numerous models of villages and tumuli, a life-size palisade topped with shields and spears, video programmes and explanations of scientific methods, all combine to bring this sustere sounding discipline to life. Closed Tue. Late-closing-

night Wed. Ends Dec 31 (42995410). Grand Palais. Eros. Some 100 vases, marbles, bronzes and jew-elstating from Greek antiquity describe most explicitly the verve with which the god of love

encouraged humans and gods alikein their uninhibited pursuit of pleasure. Closed Tue, ands Feb 5 (42895410). ée des Arts Decoratifs. Bobemian glass 1400-1989. Some 200 exhibits, among them the famous ruby-coloured glass, show how

- having freed themselves from
Venetian influence - the glassmakers of Bohemia carried the art of cutting and engraving and painting to such perfection dur-ing the baroque period that the renown of Bobenian crystal con-quered countries as far apart

as Spain and America, Egypt and Feland, 107, rue de Rivoli (42603214). Closed Tue, ends Jan Musée d'Art Moderne de la Ville Music d'Art Mindenie de la Ville de Paris. Kupka (1871-1957) or The invention of Abstraction. The subtitle of the vest restrospec-tive sums up the progress of the Czech-born artist frem Vienna-in-spired symbolism to non-figura-tive canvases where glorious colours acquire a life of their own. 11 Asenue President Wil-soo. closed Mon, ends Feb 25 (47386127).

soo, closed Mon, ends Feb 25 (4728127).
The Louvie. Arabesques et Jardins de Paradis. The beauty and richness of nature is a leithnotiv which runs through Islamic art from Spain to India, from the 5th to the 18th century. 234 exhibits, ministures and manuscribes textiles and caranics. exhibits, minigures and manuscripts, textiles and examics show the unifying force of this inspiration which ranges from the decorative to the symbolic. Yet the traditional style of each of the Islamic countries adds of the Islamic countries aros
a specific colour to nature's
inferpretation. Closed Tue, ends
Jan 15 (40205317).
Photography. To mark the 150
years since the birth of photography the Centre Pompidou speaks
of the invention of an Art, the

of the invention of an Art, the
Musée d'Orsay stresses its
modernity (Qual Anatole
France), Archives Nationales
recognt the gensels of this invention (60, rue des Francs-Bourgedis), Musée Carnavalet shows
Paris daguerrectypes (31, rue
des Francs-Bourgeois), while
the Centre National de la Photogrephia uses chropology to teach raphie uses chronology to teach

Institut du Monde Arabe. Egypt-Egypt. An exhibition of 25 chefd'ocuvres, including the most a certified, starts with statues and bas-railers dating from the middle-empire, continues with a golden crown of a high priest of Osinis with some elements of Roman art and Coptic icons and concludes with leaveled. and concludes with Islamic exhibits. 1, rue das Fosses-Saint-Bernard (closed Mon). Ends Jan The Louvre and the Chateau

de Versellies. David. A retrospe tive consisting of 84 paintings and 165 drawings is held simult neously in the Louvre and in the Chateau de Versailles. It retraces the artistic developme of the founder of neo-classicism who, cutting free from rococo's frivolities, preaches the Roman republic's rigorous virtues in The Oath of the Horatti and in The Lictors returning to Brutus the bodies of his sons. A radical revolutionary and friend of Robespierre, he immortalise zination of Marat inhis bath, while organising the Revo-lutions self-glorifying festivities. With the advent of Napoleon

he becomes the Emperor's pre-mier points and calebrates him in a romantic equestrian portrait crossing the Alps and in the vast Coronation, the replica of which, together with the unfinished Tempis Court Oath and the Pre-sentation of the Eagles to the mperial Army is in Versailles Louvre closed Tue, Chateau de Versailles closed Mon, both exhi-bitions end Feb 12. bitions end Feb 12.
Galèrie d'Art Saint Honore.
Lincretia. Setting off the white
androse-coloured body against
a deep black background, Lucas
Cranach the elder dares to paint
at the beginning of the 18th century in Luther's town a disturb-ingly beautiful Lucretia. There

is a wistful vet sensuous expres sion on her face, a lighter-than air white veil embasiess her total nudity and a gold chain rises and falls with the contours of her breasts. 267, rue Saint Honoré (42801508). ed Sat, Sun and lunchtimes.

Ends Dec 15.

Europalia Japan 89: Musées Royaux d'Art et d'His-toire. Nambam Art explores the Portuguese influence on Japase painting and the Sple of No Theatre shows props and costumes from the Rokuro Ume-

waka Collection. Closed Mon. Ends Dec 17. Modern Art Museum. Takeo yamaguchi and Yoshishige Saito

pioneers of Japanese abstract
art. Ends Dec 17. Closed Mon.

Musées Royaux des Beaux-Arts.

Seventeenth century flower intlings; a selection from the useum's collection of Flemisi and Dutch masters, Closed Mon-

day; ends Feb. Musée d'art Moderne Place Royale. Takeo Yamaguchi and Yoshi-shige Saito, abstract art in

Japan. Closed Monday, ends Dec

nhuis, 53 Falconrui, Japanese posters by 13 graphic designers. Closed Monday, ends

spective of Edward Hopper opens the autumn sesson at the founda-

tion. 61 works by the New York

Madrid Fundacion Juan March, Retro-

realist covering a period of 56 years. Until Jan 4.

Caixa de Barcelona. Racul Dufy. Works by the French fauvist, well known for his lively use of colour and interest in varied/orms of and interest in varieties of art, are on show in Spain for the first time. The exhibit includes paintings, watercolours, drawings, ceramics and fabric design, belonging to private col-lections and museums. Ends 15

Sprengel Museum, Kurt-Schiwti-ers-Platz. Der blaue Reiter (The Blue Horse), this museum is dis-playing around 61 pieces from its own collections as well as some additional paintings on loan from East Germany and by other artists who belonged to the same Munich-based group. Works by Wassily Kandinsky, Franz Marc, August Macks, Alexej von Jawlensky, Gabriele Münter and Marianne von Wer-fekin can be viewed until Feb 11.

Mineum Ladwig, Bischofsgarten-strasse 1. The most comprehen-siveretrospective on Andy War-hol, who died in 1987, with around 160 pieces from New York. They can be seen only in Cologne until Feb 11. The retro-spective includes works from the 1940s and 1950s as well as

his famous portraits of Elvis Presley, Marilyn Monroe, Warre Beatty, and paintings based on

Städtische Galerie im Lehmbach hans. The most complete retrospective of the expressionist painter Karl Schmidt-Rottluff to date with almost 370 works from 70 private and public collections. After the Kirchner and Reckel exhibitions, this is the third significant project from one of the founding members of the Brücke group. Schmidt-Rottluff, who died in Berlin in 1976, was strongly attacked during the Nazi years.

New York

Minseum for Applied Arts is hosting a large exhibition devoted to the works of Carlo Scarpa, the Italian artist and architect. The theme is focusing on "The Other City". Until Jan 15.
Museum for History. An exhibition of paintings by Arnulf Rainer, deemed to be one of Ausner deemed to be one of Austria's most successful post-war artists, and who recently had an exhibition in New York. Ends

Metropolitan Museum. A decade

of fabulous shows borrowed from around the world culminates in the present exhibit of the major works of Velazquez, much of which is borrowed from the Prado in Madrid. Ends Jan 7. Whitney Museum at Philip Mor-ris. This exhibit of Isamu Nogu-chi's sculpture portraits justifies the proliferating vest-pocket gal-leries that have come to replace building lobbies in the 1980s: 23 nieces that mark a departure for the abstract sculptor, though rather abstract for the genre. Ends Dec 5. 42nd & Park. National Academy of Design. More than 180 objects from the Fitzwilliam Museum in Cam-bridge are making their way

round America, giving a sam-pling of objects and paintings, among them works by Titian, Peter Paul Rubens and Renoir, under the theme of the incre of learning and other great of learning and other great objects. Ends Jan 28. Metropolian Museum of Art. A major exhibit of the works of Canaletto brings alive scenes of Italy in its secular glory. Though many are familiar, the exhibit makes the artist's vision

a breathtaking panorama with touching attention to detail. Ends Jan 21 Museum of Modern Art. Covering only eight years, from 1907 to 1914, Picasso and Braque: Plo-neering Cubism consists of more

than 350 works of the two artists during their fruitful collaboration before Braque left for war. Ends Jan 16. Centre for International Contr porary Arts. A new New York institution with the goal of cataloguing curatorial information about artists around the world

opens appropriately with a retro-spective of Japanese artist Yayoi Kusama. 57th & Fifth Av.

National Gallery. Almost three dozen paintings of the early 20th century German movements, Bauhaus, Neue Sachlichkeit and Blaue Reiter, lent by the Thys-sen-Bornemisza collection, make a telling commentary on a part of the world again at the centre of attention internationally. Ends

Jan 14.

Hirshhorn Museum. The first retrospective in America in a quarter century celebrates Francis Bacon's 80th birthday with cis Bacon's such orthody with a comprehensive review of his prolific career. The three-city US tour begins hene with 60 works, a surprisingly large num-ber of which are highlights of contemporary art. Ends Dec 7.

Tokyo

Identisa Museum. Flowers of Edo. Paintings and prints of flow-ers from the Edo Period repre-sent a new flowering in Japanese art, influenced both by new trends in the decorative arts of Chins and by the botanical illus-trations of Europe. Closed Mon-

days.
Telen Museum, Meguro. Yasuo Kuniyoshi. Retrospective to mark the centenary of a Japanese artist who emigrated to the US as a teenager. His earlier work is glum and faux-neif, but in his last decade his palette was in his last decade his palette was liberated and he produced a remarkable series of grotesque images of clowns and carnivals. Odakyu Gallery (Odakyu Department Store) Shinjuku. Kiyumizu Temple Exhibition. The temple, founded in 778, is one of the most popular in Kyoto and has a superb collection of Buddhist images and paintings — many of them in this exhibition. Ends Dec 10. MUSIC London

The Chamber Orchestra of Europe, conducted by Sandor Végh, with András Schiff (piano). Bach, Beethoven, Moz-art, and Schubert. Barbican Cenart, and Schubert. Barthcan Centre. (Fri) (538 8891)
James Galway, (flute), and Phillip Moll (piano), in a 50th birthday recital. Dvorák, Fauré, Débussy, and Ravel. Barbican Centre (Sat) (638 8891). London Symphony Orchestra, conducted by Walter Weller, with Annie Fischer (piano). Wagner, Schumann, and Strauss. (Sun) Barbican Centre (638 8891). The Chamber Orchestra of Europe, conducted by Claudio Abbado, with Maria Ewing (sograno/narrator). Rossini, Beeen. Prokofiev, and Haydn.

Shnon Estes recital (Mon). Salle Gavezu (45632030). Ensemble Orchestral de Paris conducted by Jean-Claude Bouveresse. Mozart, Floist, Richard Strauss, Tchaikovsky (Tue). Salle Gaveau (45632030). Orchestre de Paris conducted by Carlo Maria Giulini, with Jard van Nes and Keith Lewis. Haydn Mahler (Wed, Thur). Salle Pieyel Amsterden

Orchestra of the 18th Century conducted by Frans Bruggen, with Vera Beths (violin). Mozart, Bestoven (Fri). Concertgebouw (718 345).
Royal Concertgebouw Orchestra conducted by Klaus Tennstedt, with Kyung-Wha Chung (violin).
Beethoven, (278 345). oertgebouw (718 345). Royal Concertgebouw Orchestra with massed choirs and vocalists, conducted by Charles Dutoit. Messiaen, Ravel (Thur) (718 345).

Anna Balakerskaya (piano) and Dimitri Berlinsky (violin) play Beethoeven, Szymanovsky, Tar-tini, Tchalkovsky, Ysaye. Palais des Beaux-Arts (Fri).

Paul Tortelier and Nikita Magaloff. Beethoven, Rachmaninov, Bach and Chopin (Wed). Conser-vatorio G. Verdi (76001755).

THEATRE

New Ronald Harwood play, directed by Elijah Moshinsky, about a white South African family in Cape Town and Maida Vale. Albert Finney plays father and concert plants and across 35 years, suggesting that talent is a means of escape and a rea-son for not going back. Janet Suzman and Sara Kestelman are electrifying in support (867

M. Butterfly (Shaftesbury). Peter Egan has taken over from Anthony Hopkins as the tortured diplomatic hero in a Peter Shaf-fer-style "spectacle of ideas" dressed up in John Dexter's superburgelism as a metaphor

latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insourlance. A probable, but unspectacular, hit (839 5972). latest is an intimate chamber New York

Heidi Chronicles (Plymouth).
Wendy Wasserstein's award-winning drama covering the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambittons in the 1980s, accompanied by the musical and emotional flaments of the period (298 200). your of the period (239 6200).

Yefim Bronfman (piano). Haydn, Schumann, Chopin and Brahms (Wed). Teatro Olimpico (393304).

Frankfurt

Frankfurt Radio Orchestra conducted by Raymond Leppard. Britien, Schumann and Sibalius (Fri). Alte Oper. City of Birmingham Symphony Orchestra conducted by Simon

Schubert, Liszt (Wed). Alte Oper. Ladwig Guettler and Virtuosi Saxoniae. Bach, Vivaldi, Loca-telli, Pisendel and Mozart (Sat). Philharmonie.

Madrid

Tokyo String Quartet. Mozert, Schubert, Beethoven (Tue). Andi-torio Nacional de Musica (337

Musica (337 01 00).

Israel Philharmonic Orchestra conducted by Zubin Mehta, with Gila Beshari (contralto). Kopyt-man, Ravel, Dvorak (Wed). Pala-

London

Anything Goes (Prince Edward). Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs and Elaine Paige failing to emulate Ethel Merman. Jerry Zak's desperately bright production comes from the Lincoln Center in New York and is undemanding summ and is understanding summer: time fire (734 8951, cc 836 3428). A Little Night Music (Piccadilly). Fine revival by Ian Judge, im-ported from Chichester, of Son-dheim's 1973 schlagobers version of a Bergman film. A beautiful score, composed mostly in waltz time, is touchingly performed by Lila Kedrova, Dorothy Tutin (her best work in years), Peter McEnery and Susan Hampshire (887 1118). Another Time (Wyndham's).

dressed up in John Dexter's superb production as a metaphor of homosexual life. The transvestite tragedy proves less electrifying than in New York; the play is not very good but still worth seeing (379 5399).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber

Rattle. Mahler's 6th symphony (Sun). Alte Oper. Maurizio Pollini piano recital.

Maurice André (trumpet) and Hedwig Bilgram (organ). Bach, Bodin de Bolsmortier, Buonaven tura Viviani and Albinoni (Thur).

Berlin Philharmonic Orchestra conducted by Bernard Hattink and soloists Irena Grafenauer, Maria Graf. Beethoven, Mozart (Sat, Sun). Philharmonie.

Israel Philhermonic Orchesira conducted by Zubin Mehta, with Gila Beshari (contralto). Kopyt-man, Ravel, Dvorak (Sat); Bruck-ner (Sun). Auditorio Nacional de Musica (337 01 00).

conducted by Martin Sieghart Vi-valdi, Mendelssohn, Tchaikovsky (Thur). Auditorio Nacionalde

Tokyo String Quartet. Mozart, Ravel, Beethoven (Mon).Palacio de la Musica Catalana (301 11

cio de la Musica Catalana (301

Lend Me a Tenor (Royale). A . sprucing up in the set of a decay-ing town's big time opera ambi-tions makes a transatiantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200), Jerome Robbins' Broadway

(imperial). Anyone attracted by the notion of a three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, inclu-ing On the Town, West Side Story and Gypsy. The lustre of the credits is dimmed by the the credits is dimined by the brevity of each piece, with a con-temporary crew of Broadway aspirants who lack the multi-tal-ents that inspired the heyday of the musical Rumours (Broadhurst). Neil Simon's latest comedy is a self-

conscious farce, with numerous slamming doors and lots of mug ging but hollow humour that misses as often as it hits. Chris-tine Baranski leads an ebullient cast in the inevitable but disap-Cats (Winter Garden). Still a sell-out, Trever Nunn's production of T.S. Eliot's children's

tion of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262). A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).

are used as additions rather than emotions (239 6200). Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (236 620).

leasons in pageantry and drama (228 6200). Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true stury of the French diplomat whose long-time mistress was a male Chinese spy (246 0220). Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's Printon of the Opera (Majesta) Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunt-ing melodies in this mega-trans-fer from London (239 6200).

New York

New York Philharmonic conducted by Giuseppe Sinopoli. Bruno Cerchio, Ravel, Mussorgsky-Ravel (Tue); and with Gil Shaham (violin). Mussorgsky, Pagamini, Schumann (Thur) Avery Fisher Hall (874 6770). Armenian Philharmonic conducted by Loris Tjeknavorian with Andre Watts (piano). Khachaturian, Rachmaninov, Shostakovich (Thur). Carnegie Hall (247 7800). New York Philomusica Chamber Ensemble directed by Robert Johnson, Mendelssohn, Dohnanyi (Thur), Merkin Hall (382 8719).

American Chamber Orchestra conducted by William Yarbo ough. Bach programme (Mon). Kennedy Center Terrace Theate Chamber Music Society of Lin-coln Center directed by Fred Sherry, Bach, Mozart, Takemitst Mendelssohn (Wed), Kennedy Canter Concert Hall (487 4600). National Symphony Orchestra conducted by Gary Bertini with Rudolf Buchbinder (piano). Beethoven, Mahler, Bartok (Tue, Thur). Kennedy Center Concert

Chicago Symphony Orchestra conducted by Gennady Rozhdest vensky. Shostakovich pro-gramme (Tue); and conducted by Leonard Station with Eleman y Leonard Slatkin with Elmar Oliveira (violin). Erb, Barber, Haydn, Ginastera (Thur). Orches tra Hall (435 6868).

ducted by Wolfgang Gönnen-wein. Handel's Messiah (sung in German) (Mon): Mozart Regulem (Wed). Suntory Hall Leiozia Gewandhaus Orchestra conducted by Kurt Masur. Bee-thoven, Suntary Hall (Tues) (505

Berlin String Quartet with Kazuko Nagatomi (piano). Moz-art Schumann, Komei Abe. Tokyo Bunka Kaikan, recital hall (Wed) (293 7550). NHK Symphony Orchestra conducted by Hiroshi Wakasugi, with Anne Fournet (soprano). Honneger, Jeanne d'Arc au Bucher, NHK Hall (Thur) (465

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeu exposes the changes in the South exposes the changes in the Souli over the past several decades (348 4000). Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of

pasy the leads in this view of southern life from under the dry-ers in a busy hairdressing estab-lishment (968 9000). A Christmas Carol (Goodman). For the 12th year, the Goodman company does its holiday thing, with William J. Norris as with william J. North as Scrooge for the 11th year, but a new director, Steve Scott, and new adaptation by Tom Creamer promise to refresh the familiar. Ends Dec 30 (448 3800).

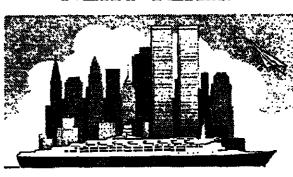
Tokyo

Kabuki. At the National Theatre (265 7411). *Hokaibo* (also known agana). Living National cast in a lively lowlife piece about a con-man who disguises himself as a priest. At Kabuki-za (541 3181): two mixed progammes, at 11am and 4.30pm, featuring mainly younger kabuki actors. Both theatres have help-ful English programmes and ear-phone commentary. (Visitors phone commentary. (Visitors to Kyoto should note that there are also all-star kabuki perfor-mances this month at the Minami-za Theatre, before its demoli-tion).

mi-za Theatre, before its demontion).

Kokunsenya Gassen. New play
written and directed by Hideki
Noda, loosely based on a famous
puppet play by Chikamatsu. An
exuberant comic-strip travesty
of Japanese myth and history,
with brilliant Pop Art sets and
lots of colour and movement.
The verhal humour may be
beyond most non-Japanese, but
this is nevertheless a most enjoyable production. Ginza Saison
Theatre (5478 0771).
Bunraku. The sophisticated puppet theatre is a major element
in Japan's cultural heritage. At
5pm: extracts from Yoshitsune
Senbonankura (The Thousand
Cherry Trees), a historical drama
of mediaeval times. At 11am and
2pm: Belke Nyogo ga Shima, by
Chikamatsu Monzaemon, sometimes called the Shakespeare
of Japan. Preceded by a lecture/
descreatedion. Street the metiof Japan. Preceded by a lecture/ demonstration. Since the mati-ness are intended mainly for schoolchildren, expect the audi-ence to be boisterous.

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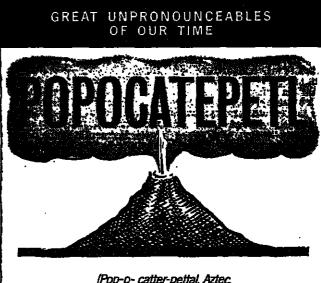
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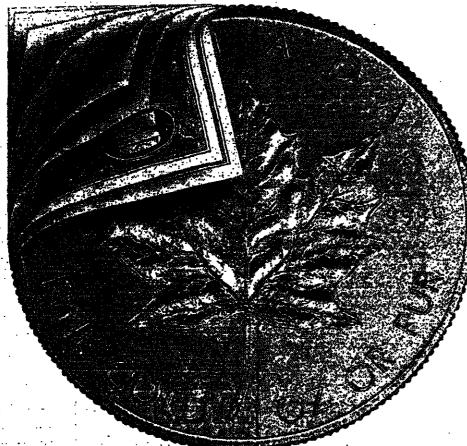


Popoca, to smoke, tepeti, a mountain) is easily the most unpronounceable volcano. It rises in the form of a cone to a height of 17,720 feet above the sea, level and is composed chiefly of porphyritic obsidian. Although no eruption has been recorded since 1540, it still smokes. This hot, volatile, Mexican geological peculiarity has no connection whatsoever with the smooth, subtle and infinitely dependable qualities of Bunnahabhain (Bu-na-ha-venn) 12 year old single malt Scotch whisky. Bunnahabhain is distilled on the

Isle of Islay and the pleasures of drinking it are directly proportional to the difficulties of pronunciation.



Unwins and Augustus Barnett.



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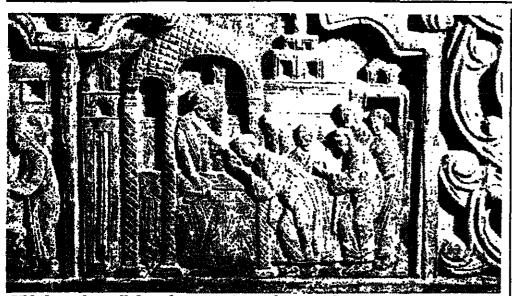
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Gilded wooden relief work on sanctuary doors; 16th century

### Russian icons at the Vatican

Opening during a month in which the Berlin Wall fell and in which a Soviet president sets foot in the Vatican for the first time, the exhibition of over 100 Russian icons at the Braccio di Carlo Magno is heavy with political as well as artistic and spiritual signifi-

Rome was chosen as a venue because of the Gorbachev visit this week. Last year Pope John Paul II welcomed the head of the Russian Orthodox Church to the Vatican to mark the 1,000th anniversary of Russia's conversion to Christianity. This year the Pope visited this exhibition wreathed in smiles; he could hardly have expected events to move so fast.

Organised jointly by the head of the Vatican museums, the Soviet Ministry of Culture and the Italy-USSR Associa-tion, and sponsored amongst others by successful capitalist organisations such as IBM, the Banco Ambrosiano Veneto and Tecnagro, a non-profit-making agricultural consortium of state and private industry, the exhibition offers 107 icons of superb quality, dating from the 13th to the 18th century, three elaborately carved pairs of sanctuary doors; and seven 16th century pieces of embroidery, worked on silk with gold and silver thread and deco-

rated with pearls.

The Braccio di Carlo Magno, which links the left arm of Ber-

nini's colonnade to the facade of St. Peter's, forms a sombre but splendid setting: 100 metres long and only ten wide. the icons have been placed at eye-level on either side of black screens placed at angles down the centre of the gallery. Beau-tifully lit, they have been arranged not chronologically but according to subject mat-

Amongst the group of saints, all extraordinarily vital and individual, is one of the earliest renderings of the "holy fool" St. Basil, who was canonized in 1588. Part of a peculiarly Orthodox phenomenon, personifying the social con-science conspicuously lacking amongst the Tzars, St. Basil went so far as to accuse Ivan the Terrible of cruelty, and beat him before a delighted crowd. He is depicted naked, as was traditional for this particular branch of sainthood, with quaint anatomical details which suggest he is facing front and sideways at the same

Lent by some 20 museums, including the Russian Museum in Leningrad and the Moscow Museum of History, most of the icons on show have been restored recently at the Grabar Institute in Moscow. The clarity of the colour is astonishing: vivid pinks, scarlets and deep sage greens, glowing on the traditional golden background. Some of the most interesting

and earliest of the icons have and earnest of the Icons have never before been out of Rus-sia. The 13th-century Madonna of Kuben, of which only the central panel remains, painted in the sombre colours peculiar to the earliest icons, is mes-merising with her solemn, dark merising with her solemin, tank and heavily-shadowed eyes: the child pressing its head lovingly against her cheek getting no response (a characteristic of the Byzantine icon).

The golden period for Rus-sian icons was between the end of the 13th century and the eginning of the 16th, when Byzantine roots were shed and the major Russian schools of Kiev, Moscow, Novgorod and Pskov were founded. Each has a distinctive style: the liveliest is the Pskov, and particularly delightful is the 15th century birth of Christ, where the Virgin reclines in her scarlet hammock surrounded by a wealth of bucolic detail. The Novgorod is intensely dramatic, while the Moscow school is the most profound in religious feeling and startlingly modern in conception. Two notable examples are a spectacular 16th century transfiguration, with the startlingly foreshortened sleeping apostles in the foreground, and an unusually tender and relaxed Madonna, dated about

The exhibition continues until January 30.

#### Playing With Trains THE PIT, BARBICAN

In his last stage play, Breaking the Silence, Stephen Poliakoff sketched a Russian Jewish sketched a Russian Jewish emigre family on a train; the engineering father spent his spare time inventing lenses for the coming cinema age. The make or break wheeze of Bill Galpin, a Nottingham electrical engineer, in Playing With Trains is a network of road rail vehicles, little "snouters," which can perform like Land-Rovers and beetle around Africa.

This paradigm of the dotty scientist whose inventions are despised in a society sceptical of technology bears an obvious relationship to Clive Sinclair and his doomed fleet of C5 per-sonal vehicles. But Poliakoff elaborates the model to propose an epic drama involving a ruinous defence of a libel suit in the High Court, a running battle with two children in whom Galpin takes less interest than in his proteges, mis-fired property schemes, and an attack on the reluctance of big business to support the ideas

Michael Pennington's lean and self-obsessed boffin manip-ulates the media to promote his wares and, incidentally, his wider views. Early success with an automatic turntable

Most of Lucy's house appears in the design by Juliet Nichols and Geoff Keys — the kitchen, the living-room, a couple of bedrooms, and we are going to need all this. Lucy's mother cares more for gossip than Lucy's selection for her school swimming team, her father

swimming team, her father cares only for television, her brother Gary cares for nothing

but what comes through his

So Lucy, a genuinely girlish Emma Chambers, confides in her imaginary friend Zara, a

reliably friendly invention,

named no doubt after the Prin-cess Royal's daughter. Lucy is

a great inventor, and sometimes we are shown a brief moment of her family life as

she would like it; but it doesn't last. What she really wants happens when a theatrical

Walkman.

Invisible Friends

STEPHEN JOSEPH, SCARBOROUGH

invention has led to other devices such as inter-connect-ing anglepoise lamps and oven gloves with holes in. Galpin's groves with noises in Gapin's anguished point is that Britain lost the initiative with the jet engine, penicillin, the computer, even an early form of Lego.
Analogies proliferate in a

stone-walling scene with a smooth investment executive

(Raiph Fiennes). This place does not look like a nerve-cen-tre of research and development says Pennington, eyes raking the dismal Pit. Inven-tion is dying here because no one will take the decisions. The outside world senses only internal shambles; but things internal shambles; but things will soon change for the better. Ironically, Galpin's arguments prompt an explanation in court of Rachmanism, taking us straight back to Peter Flannery's Singer in the Swan, the best play of the year, in spite of all its imperfections, but one to which Poliakoff honourably relates. There are marvellous scenes here marvellous scenes here between father and children. both of whom drop science and engineering in favour of accountancy and art college. Lesley Sharp and Simon Russell Beale translate, at

last, their striking resemblance

once that Zara (Jennifer Wilt-sie) is trouble. She is bigger than Lucy, bossy even when doing favours, and unkind in her choice of mischief, as when

she spoils Father's and Gary's

breakfasts by magically confus-ing cornflakes and crisples.

But Lucy goes along with all this, and is delighted when

Zara makes the family disap-

Not, though, when Zara brings her own family In

instead, a superficially kind father and an unGaryish brother. A couple of days with

this lot is enough. Lucy is deprived of her own bed, made

to play impossible games like Snap with the cards upside-down, expected to do endless cooking, ultimately locked out of the house. But

Zara had once told her that



Mark Lewis Jones, Ralph Fiennes and Michael Pennington

to each other into sibling profitability. Ron Daniels' efficient prokon Daniels' efficient pro-duction, moving across two decades punctuated with evoc-ative pop music, keeps the dia-logue bubbling and is good at charting the painful twists as Frances and Danny grow up and apart from their father. Smartly glib superficiality, and a relish of the material evi-

dence of human pain in the environment, have long been Politakoff trademarks. He pro-vides new beautiful horrors in the sight of a bride surrounded by heat pumps and dwarf kid-ney machines to impress pro-spective clients on her big day; and in Kit Surrey's mountain-ous pile of discarded appliances and handy aids that have immunised Galpin,

finally a Howard Hughes recluse, against the claims of Pennington's very fine, wolf-like, keep-fit performance also describes the tragedy of a man who cannot open his mouth without preaching a false gos-pel and sounding like a crazy mack

Michael Coveney

### Gipsy Kings at Wembley

Anyone who ever felt ashamed of singing "Torre-MOLINOS," let alone laughing at their partners unstable version of "The Birdie Song," recovered their critical reputation at Wembley on Wednesday by thoroughly enjoying the Gipsy Kings. Here was Spanish (or rather French Provencal) music made respectable by the pukkha ethnic credentials of its creators, a family of gipsy guitarists who Gary are now delighted about the swimming team, in their different ways, and a sort of normal life resumes. My guess is that Lucy will believe in family of gipsy guitarists who still retain enough Costa chu-tzpha to bring back memories of Pepe's Bar and that night we Zara again pretty soon, for though Emma Chambers is sweet, Lucy is a normally

all got legless on sangria.

The global success of the Gipsy Kings is a great pop phenomenon of the last two years. In fact the music of Spain, mainly that of the Ibiza and Reviderm discost has always. Benidorm discos, has always had a knock on effect on pop winters in Britain. The key to the Kings was that they began as a cult secret among Spanish freaks, who admired their tra-

All the characters in this play are pretty uncharming, but they are all interestingly funny. We do not learn where Lucy's family disappeared to, but if it mattered the author, whose direction is matchless.

from the south of France seemed to make it even more

Right On. Their music is a curious blend of the most hackneyed old pop songs, notably an increasingly frenzied version of "My Way," or "A Mi Manera" in their dialect, and the awful "Volare," with instrumentals which draw deeply on entrenched Flamenco roots. The Arabic influence North Africa also comes across

After a strongly.

The band, six flashingly handsome guitarists backed by thumping percussionists and a synthesiser, does not go in for great showmanship. But when the Kings are stomping away like the clappers, notably on their encore number "Bambo-léo", a winter Wembley effort-lessly transforms itself into a Spanish beach bar. The impact wears off rapidly but the Gipsy Wears of rapiny but the cripth-mic upsurge in the bodies of the Suits never approached by Troise and his Bandoliers.

**Antony Thorncroft** 

## Solti, Inbal

#### FESTIVAL HALL

the Philharmonia's under Rliabu Inbal on Wednesday featured Chaikovsky symphonies as their main offerings. Both performances raised questions about matters of Chaikovsky style that neither answered satisfactorily. The Fifth (in the Philhar-

monia concert) and the Sixth (in the LPO) are still the most often performed works in the regular repertory, yet one warts - almost always in vain - for conductors who will probe beneath the high-Romanue surface, who will interpret their many score-markings with more than incurious liter-

ali: m Chaikovsky was essentially a dramatic composer, and a composer whose dramatic structures are articulated in terms of melody. If the performances don't sing, with the genuine lyrical amplitude and spontaneity implied by the copious score indications, then the structures don't grow, and the symphonic drama remains a matter of melodramatic imposition. Solti's Pathetic is reminded just how essentially unidiomatic his interpretation remains: high-powered, short-breathed. and,

ultimately, superficial. Sforzando accents are slammed home. Rhythms are militantly precise, without lightness or spring. Orchestral colours are bright but shallow. Above all, the conductor seems incapable of making the lines sing; their contours are clipped, denied any possibility of expansion. Inbal and the Philharmonia - a partnership recently, and rewardingly, renewed: all during Wednesday's concert the playing was full of vitality gave fitful hints that a flexible reading of the Fifth was not

wholly beyond their ken. The slow movement, marked "con alcuna licenza," was tenderly "breathed," to begin with, and the inflections of the horn soloist seemed to guide the unfolding of the music; but here, and indeed in all four movements, real growth was never achieved, because whenever climaxes were in

Two successive concerts – the London Philharmonic's under Georg Solti on Tuesday, and still came as a shock to be force were suddenly force were suddenly substituted for grandly shaped symphonic drama. It was an erratic Fifth, and therefore a disappointment.

Is it perhaps time the

"authentic" movement laid hands on Chaikovsky? In the first half of the LPO concert, Solti (later to be presented with the Royal Philharmonic Society medal) gave an impressively trim, sharp-cut account of the Shostakovich Ninth Symphony, a work whose hitter-edged comic ironies and underlying nervous intensity are evidently congenial territory for this conductor. The Philharmonia opened with a glittering Rimsky-Korsakov Russian Easter Festival Overture, and then provided clean-lined accompaniment to Thomas Zehetmair's playing with rather too much sketchy intonation and wide, throbbing vibrato to start with, nimble and sensitive in the finale - of the still grievously underrated Dvorak Violin Concerto.

Max Loppert

#### disappear they bulance workers, im right. B.A. Young means, who admired their traditional rhythms, and were then taken up by everyone who has enjoyed their two packaged weeks in the sun. The fact that the band comes Zara's family disappear they turn into ambulance workers, and serve them right. you can make anything happen if you believe in it strongly enough (a principle that Lucy thunderstorm brings an actual Zara into the house. Alan Ayckbourn concedes that this play is partly directed at adults, and we will see at demonstrates by getting the kids in the audience to make a

Elliot Carter and Matthus's 'literary opera' performed in Turin

vase move by itself).

So Lucy believes her family

back again (it brings on a handy faint) and returns Zara's

to imagination. Mum, Dad and

naughty girl, sentimentality not being an Ayckbourn weak

whose direction is matchless

would have told us. When

festival honours a contemporary composer with concerts and a book about him: Ligeti, Henze, Nono, and Xenakis in past years, and this year Elliott Carter. The Carter book, edited by Enzo

Carter. The Carter book, edited by Elizo Restagno (festival director, with Roman Viad), contains a very long interview — Restangu a keen questioner — and an ample anthology of Carter writings.

The Arditti played the four string quartets; the RAI Turin Orchestra, contacted by Evraph Meablest played the ducted by Farhad Mechkat, played the Double Concerto and the Concerto for Orchestra; the Emilia-Romagna Orchestra, conducted by Giampiera Tayerna. played the Piano Concerto and the Symphony of Three Orchestras; and the Ensemble Intercontemporain, conducted by Peter Ectvos, played Penthode and the Elizabeth Bishop and Robert Lowell song cycles. The Brass Quintet, Night Fantasies, and Esprit rude/Esprit Doux formed chamber intermezzos in the programmes.

In America, Carter's orchestral music is played sometimes with skill and sen-sitivity but more often with a kind of grudging, unconvinced professionalism. And it is played seldom. In Turin, it was played joyfully, to responsive audiences. The Emilia-Romagna Orchestra, young and vital, gave a lyrical, exuberant account of the Symphony, stressing soloist in the Piano Concerto was Charles Rosen - a masterly, lucid, and

satisfying interpreter.
At the Ensemble Intercontemporain concert, the soloists were Rosemary Hardy and Peter Hall. Both are capable musicians, "instrumentally" accurate, impressive; but neither conveyed the sense and spirit of the poems. Penthode, now a repertory piece for the Ensemble, was brilliantly and mellifluously done. I'd have liked more personal character in the viola line that starts it off, but perhaps the player, Garth Knox, had read the interview, in which Carter says he does not want too much

expressivity" here. There were 54 concerts in all, across 25 days. The French Revolution expanded to embrace pre- and post-revolutionary scores - formed a second theme: Cherubini's D-minor Requiem, Gossec's Te Deum, wind music. In Javarra's resonant Carmine, I heard the Gilles Requiem, newly prominent this year, in a fervent performance by the Chorus and (original-instrument) Orchestra of Turin's Accademia del

Santo Spirito Gilles's score, first heard at his own funeral (1705), was reworked through the century for several major exequies, culminating in those of Louis XV (1774).

Turin performance, had edited the version expanded, probably by Michel Corrette, for Rameau's funeral (1764) with an elaborate Kyrie built on Rameau themes and a beautiful Pie Jesu for soprano. Cristina Miatello was a shin-

In the Lingotto - Renzo Piano's transformation of the famous Flat factory into performance spaces - the D'Annunzio *Cabiria* was projected with the Pizzetti score played live by the Orchestre National d l'Ile de France. Cavalieri's Rappresentazione di anima e di corpo was staged in the Carmine. In the Teatro Nuovo the Laboratorio

Lirico di Alessandria presented Siegfried Matthus's opera Cornet Christoph Rilke's Song of Love and Death, the piece he wrote for the reopening of the Dresden Opera House four years ago.

Cornet Rilks can be grouped with the other much-played "literary" operas of our day — Rihm's Jakob lenz, Bose's Werther — not calling for large forces. There are six singers, eleven players, and a chorus that can be scaled to the

circumstances of the production.
In Alessandria's Teatro Comunale Cornet Rilke was a spectacle with a big chorus, supers, and soldiers from the local XXI Battalion. It was played as if by a band of battle-worn soldiers, home-

SALEROOM

Paris re-established itself as an

important international art centre yesterday when Maltres

out theatre: one of them starts reading Rilke's prose-poem, and theatre ghosts take over to give form to the Cornet's chivalric adventures. The Turin performance was in concert form, but it was easy to imagine the dramatic impact that the opera might have. In the 1914-18 War, Rilke's poem

inspiringly accompanied many a young German to battle. But Matthus has given it an "anti-militaristic" reading and has framed the high gallantry within a Dies Irae. His protagonist is a mezzo-soprano - a dashing young Cheruhino gone to war.

The work is less a conventional opera than a prose-poem musicked toward operatic form. The music – built on a 8-note scale of semitones and minor thirds - is arresting. The unconven-tional band - flute quartet, two harps, solo horn, three percussions, bass guitar - is effectively used. One or two

numbers go on too long.

The Laboratorio does good work. Will Humburg conducted with ardour. Rosanna Mancarella and Claudia Eder, in the divided title role, were excellent. But it was a mistake, diminishing to the opera, to sing it, to an Italian audi-

**Andrew Porter** 

#### ARTS GUIDE

#### **OPERA AND BALLET** London

Royal Opera, Covent Garden.

Further performances of the new production of *Idomenco* by Johannes Schaaf, conducted by Jeffrey Tate. English National Opera, Coli-seum. Richard Jones's witty, deadpan, officat production of Prokatev's Lave for Three Oranges comes to London from Opera North, where it was a huge hit, David Atherton conducts, and the cast includes Jane Eaglen, Alan Woodrow, Bonaven-tura Bottone, Lesley Garrett, and Donald Maxwell. Further performances of the triumphant new David Freeman production of Monteverdi's *The Return of* Ulysses, conducted by Paul Daniel, with Anthony Rolfe Johnson (giving the great performance of his career), Jean Rigby, Sally Burgess and Laurence Dale; and of the Madamo Butterfly revival, which brings back Janice Cairns to the title role and introduces to London the American conduc-Royal Bailet (Covent Garden) presents Swan Lake (Fri); and a triple bill (Sat, Tues).

## London Contemporary Dance Theatre ends a season at Sadler's Wells on Saturday.

Opera. A Balanchine – Robbins programme to the music by T-charkovsky. Prokofiev, Chopin and Stravinsky is performedby the Paris Opera stars and ballet corps accompanied bythe Paris Opera Orchestra conducted by Michel Tabachnik (47425371).

Théâtre des Champs Elysées. Prodromides: La Noche Triste conducted by Arturo Tamayo in co-production with the Opera deNancy et de Lorraine in Antoine Bourseiller's produc-tion(Wed) 47203637). Chatelet. Frankfurt Ballet presents Impressing the Czar in Wil-liam Forsythe's choreography

#### Amsterdem

The Netherlands Opera present Don Pasquale by Donizetti, directed by Renate Ackerman. Carlo Rizzi conducts the Nether-lands Philharmonic, with Henk Smit in the title role, Wendy Hill Nederlands Dans Theater with

a new bullet by Jiri Kylian, Shaker Loops (Van Manen) Ad-ams) and Raptus (Duato/Wag-ner), Muziektheater (255 456).

Cirque Royal, The Accademia Lirica Arturo Toscanini of Milan Derforms Madame Butterfly performs adomne buttering staged by Eliane Bemaison and conducted by Giorgi Notef (Fri, Sat), Halles de Schaerbeck. The Philip Glass' One Thousond Airplanes on the Roof directed by Jerome Sirlin and conducted by Martin Goldray (Fri. Sat). Theatre Royal de la Monnaie. The Monnaie Opera in Schubert's Fierrabras (concert version) with Richard Cowan, Robert Holl, Tina Kiberz (Tues), The Monnoic Dance Group Mark Mor-ris in L'Allegro, Il Penseroso e Il Moderato, music by Handel, choreographed by Mark Morris. Craig Smith conducts the Monnaie Symphony Orchestra (Sat. Wed, Thur).

De Singel. Transparent Chamber Orchestra in Telemann's *Der* Schubneister and Scarlatti's *La* Dirindina staged by by Hugo Segers with John Dur (bass). Kevin Greenhaus (baritone). Steve Dugardin (counter-tenor). Fri, Sat, Sun, Stichting Operette Zeeland in Lehar's De Graaf von Luxemburg, directed by Hugo Segers and conducted by Hans Swinnen (Thur).

Opera. Don Giovanni will be conducted by Heinrich Hollreis-er. This weeks performances also include Madame Butterfly, the ballet Romeo et Juliet and Die lustigen Weiber von Windsor.

Opera. Zar und Zimmermann has fine interpretations by Kurt-Moli, Kurt Streit, Franz Grundhe ber, Peter Galliard and Gabriele Rossmanith. Eugen Onegin, sung in the original language, features Olive Fredricks, Gabriela Benac-kova, Daphne Evangelatos, Wolfang Brendel and Hans Peter Blochwitz. A gala Tosco performance starring Mara Zampieri, Placido Domingo, Eva Maria Tersson and Franz Grundheber is conducted by Miguel Gomez Martinez. La Bohème has a strong cast led by Francisco Araiza, Miriam Gauci, Gabriele Rossmanith and Franz Grundhe

### Bonn

Opera. The two ballets, Der Nussknacker; Spartalaus are bothcho-reographed by Youri Vamos.

#### Frankfurt

Opera. Puruliax has wonderful William Forsythechoreography. Tosco is revived with a first-rate cast led by Galina Ralianna, Alberto Cupido, Alain Fondary and Kimberly Barber, conducted by Inne Pallo. Il Barbier di by Imre Pallo. II Borbiere di Siviglia is a well done repertoire performance. Further offered Cosi fan Tutte with a new cast led by Margaret Marshall, Mit-suko Shirai, Christopher Rober son, Hans PeterBlochwitz and Gregory Yurisich. La Bohème has Eliane Coelho making her dabat an Mimi debut as Mimi.

Opera. Hänsel und Gretel returns with Machiko Obata andMarijke Hendriks as leads. Die Zauberflöte is sung by Susan Burghardt, Teresa Ringholz, Dieter Schweikart and Randall Outland. Faust stars Josef Protschka in the titlerole.

#### Stutteart

Opera. Lieder eines fahrenden Gesellen, choreographed byMaur-ice Bejart, danced to music by Gustav Mahler. *Elektro* in Harry Kupfer's production featu Anny Schlemm, Deborah Polaski and Irmgard Stadler.

Teatro Lirico Nacional la Zar-zuela. Montserrat Caballe recital. Programme includes Vivaldi, Handel, Rossini, Massenet, Ser-rano, Chapi (Mon). Bai-Dor Dance Company. Under the artistic leadership of Jean-nette Ordman, this Israelt com-

## pany presents a series of performances distinguished by very up-to-date choreography, "Bat-Dor" meaning conteporary in

Opera. Adriana Lecouvreur, co-produced by the Teatro AliaScala and Teatro Comunale, features Mirella Freni and Placido Domingo, Romano Gandolfi conducts. Gran Teatre del Liceu(318 91 22).

Testro dell'Opera. Verdi's Fal-staff in Beni Monstresor's pro-duction, which gives the opera the unlikely setting of the Italian Po Valley, conducted by Evelino Pido. Juan Pons sings the title role on Saturday, to be replaced by Paolo Gavanelli on Wednes-

#### Teatro alla Scala. Season opens

with Verdi's I Vespri Siciliani in Pier Luigi Pizzi's production conducted by Riccardo Muti. An excellent cast includes Chris Merrit, Cheryl Studer, Pasta Bur-chuladze and Giorgio Zancanaro (80.91.26).

#### Bologna

Testro Comunale. Werner Har-zog's production of Verdi's Giovanna d'Arca, with a fine cast led by Susan Dunn as Joan, the Verdi veteran Renato Bruson as Glacome and Vincenzo la Scola as Charles VII, conducted by Riccardo Chailly. Sets and costumes are by Henning Vongietke, who worked with Herzog

#### on *Lohengrin* at this year's Bay-reuth Festival (52999).

December 1-7

#### Metropolitan Opera. Les Contes

Metroportian Opera. Les Conducted by Sylvain Cambreling in Otto Schenk's production with Ruth Welting, Judith Blegen and Luis Lima. Johanna Meier sings the Empress and Janis Martin is the Dyer's Wife in Die Fran olme Schemen in Nethenial Mortil's Schatten in Nathaniel Merrill's production, conducted by Christof Perick. Leona Mitchell sings the title role in Aida with Dolora Zajick as Amneris and Sherrill Milnes as Amonasro in Sonia Frisell's production conducted by Christian Bedea. Lincoln Center Opera House (362 6000). New York City Ballet. The Nut-cracker takes up the holiday sea-son until Dec 31. New York State satre, Lincoln Center (870

#### Chicago

Lyric Opera. Frederica von Stade sings Rosina with Frank Lopardo as Count Almaviva and Thomas Allen as Figaro in Roberto De Simon's production of *The Barber of Seville* conducted by Alessandro Pinzauri. Kiri Te Kanawa continues as Elisabeth, Tatlana Troyanos is Eboli and Samuel Ramey is Philip II in Sonia Fri-sell's production of Don Carlo, conducted by James Conion. Lyric Opera (332 2244).

#### Tokyo

Tokyo Ballet. Don Quinote in the Nureyev production, with Yoko Morishita and Tetsutaro Shimizu. Tokyo Bunka Katkan (Thur) (443 0201).

### Record for Picasso in Paris

Binoche et Godeau sold "Les Noces de Pierrette" (Pierrette's Wedding) by Picasso to the Japanese amusement park and motor racing circuit owners Autopolis for FF 315m, which, when translated into devalued sterling, at £31.5m, makes it a world record for any work of art at auction. But when converted into dollars, the accepted currency for important pictures, at \$51.89m, it just misses out to Van Gogh's "Irises" which was bought by Alan Bond in 1987 for \$53.9m. But, again, the buyer's pre-mlum in Paris is 5 per cent, as against 10 per cent at Sotheby's, so the hammer price for "Les Noces" in dollars is marginally higher, at \$49.42m com-pared with the \$49m hammer for "Irises." As far as the buyer is concerned Mr Bond still paid the most. The previous record price for a Picasso was the 47.85m paid last season in New York for an early self portrait. After the sticky time that

other significant paintings by Picasso have experienced in New York and London in recent weeks the sale is a notable achievement. The painting dates to 1905, shortly after Picasso settled in Paris, and reflects his obsession with the circus. Once again he depicts himself as a love crossed Harle-

quin. It is credited to his Blue Period but reveals the first signs of Cubism. "Les Noces," an odd shaped

114 cm by 195cm, has just been put in a 17th century Italian frame by Georges Bac. It was sold by a Swedish lawyer (who acquired it last year for just £2.5m) and was given special permission to leave France if bought, as seemed likely, by a Japanese. The under bidder was a French dealer, Odermatt. Binoche et Godeau had rigged up a satellite video transmission with Tokyo and the bidder was in the saleroom there. Although not known as a big buyer of modern pictures, Autopolis does own one of the corporate museums common in Japan. The other part of the auction, 26 works from Andy Warhol's "Ladies and Gentlemen" series, did less well, many going below estimate. Sotheby's held its best ever

contemporary art sale in London with a total of £15.5m and only 6 per cent unsold (largely due to the failure of a tiny portrait head by Lucian Freud). A completely blue canvas by Yves Klein made a record £1.056m and Leslie Waddington paid £1.012m for a spectral figure by Dubuffet There were records for Fontana, Pollakoff, Jorn and Tinguely and an early Bacon of 1933 went way

above forecast at £550,000. Antony Thorncroft



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#### **TECHNOLOGY**

hristmas may be the season of goodwill to all men, but for UK retailers the impend ing winter is beginning to look bleak. "Margins are beginning to get squeezed," explains John Richards, a retail analyst at County NatWest in London. "Sales are slowing down at the same that uncontrolable costs. such as rents, rates and staff salaries, are continuing to

Retailers' woes are increased by the fact that many custom-ers will be taking advantage of the festive season to obtain their Christmas goodies by stealing them. Shrinkage -the retailers' term for shoplifting, together with staff theft, clerical errors and other unexincreasing. Touche Ross. the London-based accountants, estimates that shrinkage cost UK retailers £1.8bn last year. This year the figure could reach £2bn. Marks and Spencer, the UK retailer, admitted in 1986 that it lost £52m a year

through shrinkage. However, a number of companies offering electronic article surveillance (BAS) equipment believe that their systems can reduce customer theft. And they argue that have a marked effect on the - particularly in the present poor economic climate

"If a retailer has margins of 5 per cent and is losing 2.5 per cent of its stock through shrinkage, electronic article surveillance technology can halve the retailer's losses and by doing so add 20 per cent straight on to the bottom line," claims Ralph Kanter, group managing director of Britannia Security, the UK company that owns Actron, one of the leading EAS equipment manufac-turers. "The problem," says Kanter, "is that companies are split over whether to spend money improving their margins by investing in EAS technology or to invest in advertising in an effort to increase

EAS equipment is based on

Electronic surveillance is helping retailers to fight shoplifters, write Paul Abrahams and Bob Vincent

## **Mobilised** to catch a thief

radio frequency, microwave and electromagnetic. Radio frequency systems are the most popular, with about 50 per cent of the US market.

A radio frequency system is made up of two elements. The first is an electronic tag, comprising a coil and a capacitor, both of which are made of alu-

The second part is made up of a series of detectors placed at exit points. These contain transmitters emitting a signal at a specific frequency which energises the coil in the tag if it comes within range. Once the coil is energised the capaci-tor in the tag sends a signal back to the detector which activates an alarm.

When a sale is made, the tag is either removed physically using a special key or deactivated by the shop assistant. To do this, the tag is passed near a transmitter emitting a signal at a particular frequency. The signal is strong enough to change the structure of the aluminium coil. The process also changes the frequency at which the coil reacts to the signal. Because the coil no longer responds to the transmitter, the tag is deactivated.

On the Continent, record stores and hypermarkets have adopted the tagging technology more willingly than in the UK. Robert Aelion, director of secu-rity of Fnac, the French book and record chain, says that he no longer has to justify invest-ment in EAS to his board. He explains that it would now be inconceivable to open a store

without such as system. UK retailers have been more loath to put in surveillance systems. Most have been installed in clothing stores, using tags enclosed in hard plastic which are attached to

the goods with a pin But recent developments in EAS technology suggest that such systems may soon find their way into British supermarkets. Both Actron and its main competitor, the US-based company Knogo, have devel-oped tags which can be inte-

grated in paper labels.

Actron's tag is based on a
4cm square piece of polyethylene on which a tiny coll and capacitor are placed. The com-ponents are then attached to a paper label. The tags are attached to the supermarket products using a standard labelling device. The labels can also be printed with dummy or real barcodes.

In Actron's latest prototype, the company has integrated its deactivating device in the traditional scanners used to read barcodes at the check-out. This means that the tag can be

SHOPLIFTERS IT WOULDN'T BE WORTH OPENING. discs and meat. He explains that when 10 per cent of goods

TALK ABOUT QUIET! IF IT WASN'T FOR THE

deactivated at the same time as the barcode is read. Kanter says that the delays caused by the deactivisation process discouraged many supermarket retailers.

He admits the retailers were also put off by teething prob-lems with the system in the supermarket environment. A number of retailers experienced a high incidence of fals alarms. He explains that one of the causes was the existing electrical equipment in the supermarkets. Escalators, conveyor belts and cash regis ters generate a wide range of signals, some of which trigger off the system. But if the range of frequencies accepted by the receiver is reduced the transmitter may not register the

The company handled the problem in two ways. First, it improved the manufacture of the coils in the paper tags. Kanter says that the shape of each coil defines the frequency which the coil picks up. If the shape of the coils varies, the range of frequencies transmitted have to be increased so that all the tags are picked up. But by increasing the range of signals accepted, there is an increased danger of picking up signals from electrical equip ent in the store. To deal with the problem, the company reduced the range of frequen-cies by half, to plus or minus 5 per cent. This allowed the range of frequencies sent out by the transmitter to be

are tagged the system has a significant deterrent effect,

driving potential thieves to

unprotected stores. "The tech-

nology has improved so much

over the last two years — and it's still setting better — that EAS has become feasible," says Neil Newell, chief security officer at United Co-op Society, which owns 200 stores between

Stoke-on-Trent and Cumbria.

United Co-op is evaluating both the Actron system and

the one supplied by Knogo. It has installed systems in three hypermarkets of more than

systems are very expensive, admits Newell. "But I'll get

good payback. Thieves that I know - and I know a lot of

them - have been keeping away since I installed EAS."

At present, a number of retail chains are using or test-ing EAS systems. These

include Sainsbury, Halfords,

Boots, Marks and Spencer and United Co-op. Eventually retailers are likely to demand

that their suppliers integrate the tags at point of manufac-ture. This would eliminate the

need for the retailers to put the tags on themselves - a

William White, assistant to the president at Knogo, says that Skopunkten, the Swedish

shoe wholesaler, has its Asian manufacturers supplying tagged shoes. "We have to make sure that if the shoe is

sold in a store without a deacti-

vating device, the tags don't go off when the customer walks

into a different store which has the system," says White. "To avoid this, we had to develop a micro-magnetic system which

is neutral until it is activated

Nevertheless, it appears

impossible to stop every thief.

One leading European retailer has put detectors on the doors

of its lavatories. This is to pre-vent people taking the hard tags off clothes while hidden in

Arthur Minasy, president of Knogo, says the market potential for Knogo's systems is still great, given the increasing incidence of shoplifting. "If you

give a man enough privacy and a screwdriver he will take the store apart," he says.

by the retailer."

hosiness.

r-intensive and expensive

100,000 square feet.

The second way of dealing with false alarms was to write a computer program into the receiving device in the detec-tor. The program was designed build up a profile of the background environment. This meant that the alarm would only go off if there was a deviation from the background signature at the specific frequency of the tag.
"There's one final problem

that remains to be solved," admits Kanter. "The cost of the tags. Everyone is waiting for the penny tag. At present they cost between four and five pence, so the retailer can't afford to put it on every item." However, Kanter argues that retailers can target particularly vulnerable products effec-tively. These include batteries,

lipstick, perfume, compact

### Composites aim to spread their wings By Lynton McLain

¬he fabrication and application of compos-ite materials is well established, but industry and the UK Government are now beginning to explore the use of composite materials for large items to be mass produced. Products made from composites have an inherent simplicity of design, compared with welded or tivetted metalwork, which require more stages of manufacture. They can also be stronger and less expensive than traditional materials.

The automotive, shipbuilding and aerospace industries are leading the way with the application of composite technologies. The automotive industry uses mass production for its metal products and wants to reduce the time required to make composite parts. Research into polymer composites is being carried out by a joint venture involving Ford, Chrysler and General

In shipbuilding, Vosper Thornycroft, the Southampton warship builder, is experimenting with a semi-autonated process to build large ship hulls using glass fibre impregnated with resin. The technique involves the automatic dispensing of glass fibre cloth through a bath of resin. For fully automated ship con-struction, machines would be needed to lay long pieces of glass fibre along the contours of the ship.

The experimental technique is used to help build the company's latest Sandown class minehunters made from glass reinforced plastic. These vessels, at more than 150 feet long, are some of the biggest glass reinforced plastic struc-tures afloat. But they are modest compared with the 600 feet long glass reinforced plastic magnetic treatment facility Vosper Thornycroft is helping to build for de-magnetising the Trident nuclear submarines. An automated filament wind ing process for laying the glass fibre cloth is being developed to produce the rectangu-lar sections of the structure.

Tony Dory, technical direc-tor of Vosper Thornycroft, says "a fully automated process could not be justified for shipbuilding, possibly not even for a batch of 20 or so vessels. The production of flat panels could be automated readily, but the capital cost of an automated machine would be too high for small produc-

The aerospace industry has much larger production volumes but it still operates on batch production techniques for some metal structures and other relatively small composite structures, such as aircraft fins and parts of wings. The industry is now seeking to capitalise on the relative simplicity of composite parts to automate manufacture of large items, including full wings.

Aircraft designers use high-strength carbon fibre composstrength carbon fibre compos-ites, rather than the glass reinforced plastics favoured by shipbuilders. Carbon fibre composites are make of long fibres of carbon, in the form of tape, which is then impreg-nated with resin and cured in cylindrical autoclaves at high

The civil aircraft makers Aerospatiale of France and Aeritalia of Italy, are using composites on a large scale. The ATE 72, a 74-seat passenger aircraft built by the two companies, is the first civil airliner in which the whole of the outer structure of the main wing is made of a variety of composite materials. The 27-metre wing weighs between 20-30 per cent less than a com-parable metal wing. The parts made of composite sandwich construction are about five times as strong as steel and about 15 times as strong as aluminium. The reduced

weight saves fuel.

Mass production of largescale composite components is
being considered by the makers of the European Fighter Aircraft. The Europighter will use advanced materials to a greater extent than any previous European military air-craft. Most of the fuselage as well as the wing will be made

of carbon fibre composites. The production of the wings of the aircraft is unusual. It will be one of the first where each wing is produced by a different technique. Acritalia, the Italian partner in the Eurofighter, is to produce the left wing. British Aerospace and Casa of Spain will produce the right one. Messerschmidtt Bolkow-Blöhm of West Germany will produce the carbon fibre fuselage, The arrangement for the

wings reflects the present wariness about mass production of carbon fibre composite materials in Britain's space industry. British Aero-space is to make its wing ini-tially by hand, although with a production run of about 800 aircraft planned for the 1990s, mass production of these 50 square metre composite wing structures is inevitable.

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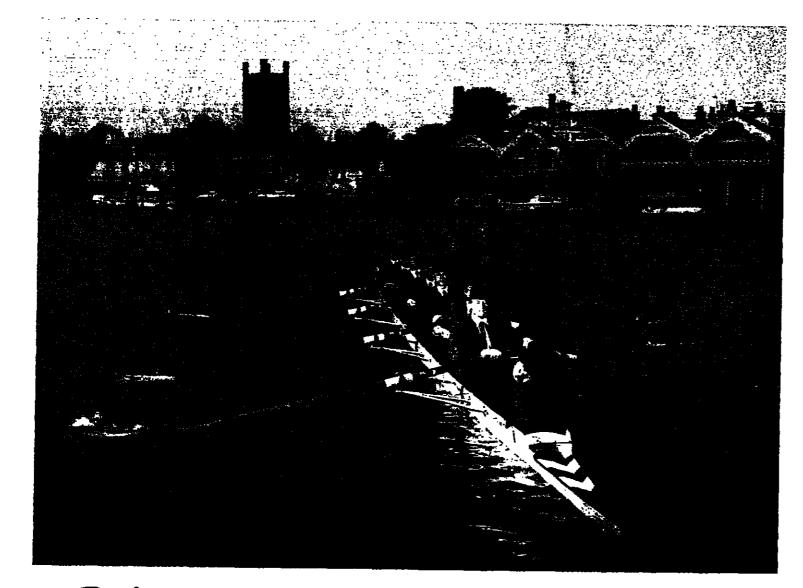
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Confidence is greater in Italy. Aeritalia has opted to mated carbon filtre tape laying machine, made by Cincinnatil Millacron of the US. This will be used for the Italian half of the wing of the prototype aircraft, to fly in 1991. Brian Phillipson, the project director for the European Fighter Air-craft at British Aerospace, says the aircraft is being built using advanced materials because the performance of the aircraft and its cost demands this. "Having been forced into certain materials you then have to find new pro-

duction techniques," he says.

The front fuselage of the aircraft is also in carbon fibre composite material, but the curves and shapes are so complex that this cannot be mass produced using present technology carbon fibre tape lay-ing machines.



### Drivers Jonas takes the helm at Henley and steers the councillors to Cardiff.

Developing in an Outstanding Conservation Area is a challenging task especially when the site is in the heart of Henley-on-Thames. Waitrose appointed Drivers Jonus as their advisers when they were seeking planning permission for a larger store. Working with them and South Oxfordshire District Council, a site owned by Waitrose and the Council was identified which could support a new shopping centre including a 28,000 sq.ft. Waitrose store. From the 50 companies who showed interest in the development, a partnership of Arundell House plc and Lynton plc was selected on its sensitive scheme and

The Association of District Councils sought Drivers Jonas's expertise to acquire and fit out a building for its Welsh

Regional Office. Our Business Space team identified and acquired the Atlantic Wharf development in the regenerated Cardiff Docks, after a detailed search and evaluation of town centre and business park locations throughout South Wales. Our Building Group is now providing fitting out services.

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FINANCIAL TIMES

#### MANAGEMENT

pritish Petroleum, the UK-based Corporate initiatives of multinational, is engaged in a novel experiment which could have implications for a host of management issues, notably how a company makes its culture truly international in the run-up to the completion of the internal European market.

The lever which BP is bringing to bear on this tricky issue is an imusual one — its work on business/education

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In Britain, BP has long been noted for trying to break down the barriers between business and schools. But it has decided it wants to go one better: it is trying to Europeanise this effort.

Tangible evidence of BP's new drive was to be found at a fwo-day conference on education held by the company last

week in Brussels.
Conferences on education are often more noted for long speeches than for clear-cut conclusions, but two things militated against this being another hot

First, the level of the participants: all BP's main European subsidiaries sent along a senior executive, in many cases

slong a senior executive, in many their most senior executive.

Second, the clarity of the objectives laid down for the participants: they were told to devise an educational policy for BP that crossed national boundaries.

And the BP executives who assembled from all over Europe were given a little incentive to complete that task. In an opening address, Robert Horton, the company's chairman designate, said he would release some corporate money, albeit in modest amounts, to pump prime educational initiatives suggested by conference participants.

Horton is due to take over BP's top job next March after building a reputation as a manager who has restructured a host of BP operations, most recently duting his stint as chief executive of BP's IN: mybulding. BP's US subsidiary.

So why should a tough oil man spend his time on education? Horton hebed to launch a scheme while he was in Cleveland, Ohlo, by which youngsters from deprived areas were given cash credits if they achieved good enough grades to go on to college. But he told his manag-ers in Brussels that business initiatives like that did not flow from "the milk of human kindaesa."

BP could not fulfil its duties to its shareholders, Horton insisted, if it ignored education. BP's educational work was in its own long-term interest.

"Indeed, companies now perceive competitive benefits in developing effective education links." Horton said.

BP believes it reaps hard-headed business benefits on four fronts from its educational activities. They help to:

Sustain BP's licence to operate through improving BP's image and its relations with the local community.

Improve the quality of the people who apply to work for BP.
Extend the range of valuable information to which BP has access, particularly through its links with higher edu-

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### Oiling the wheels of education

BP believes that it can reap hard-headed business benefits from its activities in schools. David Thomas reports on some of the steps the company has taken



Pupils from St Angela's and St Bonaventure's schools in east London using teaching materials developed by BP **Educational Service** 

improving education, not least by

enhancing understanding across the business/education divide.

All these points cover a company's educational activities within one country. The novelty of Horton's message lay in his push for international business/education links.

BP's wish to forge a more international company culture emerged as the prime motivation. In particular, Horton said, the completion of the internal European market "means that the internationalisation of our recruiting effort must become an operational priority.

Two things flowed from workshop

• Encourage a thriving economy by

sessions held after Horton's speech by

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the more than 100 participants in the conference (BP's top managers brought with them a personnel or education specialist from within their subsidiary, plus two educationalists, one from a school and one from a university).

First, a surprising amount of educational work was already under way in BP's subsidiaries, with BP spending about £6m a year worldwide on educational work.

In the UK, BP's educational work, such as its encouragement of teacher secondments to industry, is relatively well-known, but unprompted by the centre many of its subsidiaries particularly in Northern Europe have also

Winfried Nacken, head of youth training in Deutsche BP, explained how BP had launched annual "study weeks" for children in one non-technical Gymnasium (equivalent to Britain's old grammar schools) in Hamburg in 1981.

The idea was to invite pupils into BP for a week, giving them access to all the company's facilities and senior managers. The scheme has now blossomed to

ers. The scheme has now blossomed to the point where 13 companies, includ-ing BP, arrange study weeks for 12 schools in the Hamburg area.

Even quite modest initiatives had reaped rewards. Thus, Raymond Clinton, managing director of BP Oil in the Irish Republic, described how his relatively small company had dramatically improved its profile among Ireland's community of science teachers by sponsoring a Science Educator of the Year

award.

The second point of the workshops s to devise pan-European educational initiatives for BP. If anything, almost

bp Sweden, for example, proposed a summer college attended by school-teachers from throughout Europe, which would investigate European solutions to issues like motivating pupils, the introduction of new technology and the continent-wide decline in the number of young people.

Deutsche BP is already sponsoring

German pupils on work experience visits to Colchester in the UK. It also suggested Europeanising its study eks, with pupils from one country visiting companies in another. BP Belgium, among others, suggested a European version of BP's school links

scheme in the UK, whereby individual BP managers keep in regular contact with particular schools in their locality. Sponsorship of international research projects in the universities, a transna-tional clearing house for companies willing to give foreign pupils and students work experience, competitions run internationally for language learning among schoolchildren - these were just a few of the other ideas.

A cynic might expect these bright ideas to evaporate into thin air once BP's managers return home to more pressing operational matters. But Robert Horton tried to anticipate that reaction by stressing that in future all BP subsidiaries must include educational activities in their business plans, with sums of money allocated to carry

Horton even envisages his managers being assessed partly on how well they fulfil their educational commitments. Whether this will help BP to forge a genuinely European culture remains to be seen. The company will first need to steer its way through two difficulties. First, some BP subsidiaries, particularly in the Mediterranean countries,

are a long way behind the leaders in their educational work. Second, BP headquarters will have to manage the difficult trick of giving a push to its subsidiaries' educational efforts, without upsetting its decentralised decision-making structure which leaves responsibility on such matters to its national subsidiaries.

Corporate structures

### When centralisation has a demotivating effect

Christopher Lorenz assesses the warnings in a current study

ll over Europe, indige-nous and foreign multi-A nous and foreign multi-nationals are rushing to centralise decision-making in order to take advantage of the emergence of an enlarged single market both before and after 1992. Hardly a month goes by without a ringing declara-tion, from the likes of Heinz or 3M, of the need for pan-European strategies, and — at least by implication — for organisa-tional structures to implement those strategies in the market-

But companies are running a severe risk of overdoing the centralisation, according to Euro-strategies into the 1990s\*, a study by a London-based con-sultancy, The Henley Centre, which will be published next Monday. If they continue to do so, it warns, they risk destroy-ing the motivation of their managers in individual coun-tries, and with it their own shility to recruit talented staff.
The Henley study ranges
widely across a broad swathe
of 1992-related issues, from the European economic environ-

ment to culture and consumer behaviour, and from EC legis-lation to corporate marketing and advertising strategy. Among other controversial but well aired questions, it examines the extent to which companies can "force" customer preferences to converge

across Europe, and how con-sumer goods manufacturers should deal with the near universal growth in retail power. It is on organisational issu rather than this familiar ground, that the study has the freshest message to convey. It recognises that companies increasingly need to co-ordinate or even centralise their decisions on product development, procurement and manu-facturing. This applies regard-less of whether a company develops and makes identical products for European (and other) markets, or whether it is offering natural variants

around a common core design. Henley's main organisational worry is about the internal effects of a more "downstream" phenomenon: the emerging centralisation of decisions over such items as distribution and pricing, and possibly advertising and sales promotion also. This trend has been developing over the past year or two in response to the growing demands of multinational European clients for standardi-

sation of supply terms.
For instance, the Henley Centre cites one computer manufacturer which has found that a major customer has abandoned country by country purchasing of point-of-sale systems in favour of buying all its equipment centrally from

one country.

The Centre also points to the development of cross-border collaboration between retailers, and the growth of European wholesalers. Both these types of customer will soon be buying from the cheapest national source, rather than from where the suppliers would like them to.

#### Confronted In a very recent case, one of

the world's top razor blade manufacturers was confronted by a Belgian retailer, to which it sold direct, which had dis-covered that the manufacturer was selling blades 20 per cent more cheaply to retailers just over the border in France. The Belgian company made no explicit threat to resort to parallel importing - nor could the manufacturer have stopped it - but the risk was there.

The manufacturer responded by calling its relevant European affiliates together to dis-cuss a pricing solution, but made the final decision at its headquarters in the US. A spate of similar situations has prompted it to establish a more structured decision-making

In organisational terms, what this implies for manufac-turers is a further rise in the number of activities which need to be co-ordinated on a European-wide basis, and - at least at first sight - a com-mensurate fall in national initiative. With responsibility for product development and procurement having been removed already from many national subsidiaries, and with brand decisions increasingly centralised it will be all too easy to take almost all initia-

tive away from them. As the Henley Centre warns. the most difficult time of all will be when HQ and local management find that the set-ting of national profit and loss targets is being made increasingly meaningless by sophisticated multinational customers.

By removing country respon-sibilities in this way, without replacing them with equally important ones, the Centre varus that multinationals risk losing the most important of

their assets — their people. While there are overwhelming reasons for central co-ordi-nation, it points out that there is an ever-increasing need not only for responsiveness to different local markets, but also for imagination and innovation. "One of the greatest constraints on all companies in the 1990s will be the shortage of imaginative skilled person-

nel," it warns.

The only way out of this organisational dilemma, the Centre suggests, is for more companies to follow the lead of IBM, Procter & Gamble and others, in designating different European national subsidiaries as their "lead countries" for different activities, not merely

for selected product lines. Some of the analysis and prescription outlined by the Centre parallels that already done by two leading sets of business school academics: Christopher Bartlett and Sumantra Ghoshal, the authors of Managing Across Borders, whose concept of flexible "transnational" companies is cited in the Centre's study; and CK Prahalad and Yves Doz. whose book The Multinational Missiont advocates the widespread adoption of what they call "differentiated" management structures.

But Henley's advice is none the less valuable. The more people who inveigh against crudely centralised organisations, the more companies are likely to get the message.

\* Price £1,250 (\$2,150) from Sarah Stevens/Eric Salama, The Henley Centre, 2 Tudor Street, London EC4Y OAA. \*\*Hutchinson Business Books, £25/HBS Press \$24.95. tMacmillan, £22/Free Press

#### **COMPANY NOTICES**

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o beare). and ol 85 cents per share was declared in South African currency. South African ant shareholders' mx at 12.40791 cents per share will be deducted from the payable in respect of all share warrant coupons leaving a net dividend of and on begrer chares will be paid on or after 19 January 1990 against gu

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rungoum income tax was be accurate trum payments to any person in mey unled in in respect of coupons deposited at the Securible Department of Nill Samuel inhited, unless such coupons are accompanied by Intend Revenue non-residence strends, where such deduction is made, the net amount of the chindend will be titled Kingtiom currency equivalent of 63.75 cents per share in terms of subsph (b) above arrived et as follows:

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Limited, 45 Beech Street, London ECCP 2LX, or in French currency at Credit Lyonnais, 19 Boulevard des Italians, 75002 Paris.

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luctions are made the net amount of the dividend is as follows:-South African U.K. Currency per Share - Cents per Share - Pence 440.00 105.9960 15.8994 shareholders' tax at 15% 66.00 374.00 90.0966 Less: U.K. income Tax at 10% 10.5996 79.4970

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1. Has approved a payment out of cuestral

for the purposes of acquiring its own shares by purchase;

2. The permissible capital payment for the shares concerned in 128,000 as sushor-lased in the Special Resolution for

payment out of capital, pessed on 22nd November, 1989;

3. The statutory declaration and the Auditor's Report are available for inspection at the company's registered office;

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payment out of capital, passed on 22nd

**AVIATION IN ASIA & THE** PACIFIC

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### FINANCIAL TIMES

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Friday December 1 1989

### Japan's new multinationals

NISSAN'S decision to establish a fully-fledged vehicle design, development and engineering operation in Britain is significant, both for European poli-cies on inward investment and for the growing management challenges which confront Japanese multinational compa-

Until recently, most Japanese manufacturers' investments abroad have been in production facilities. In seeking higher quality Japanese invest-ment, the European Commu-nity has mainly emphasised nity has mainly emphasised increased local component content, on the grounds that this creates a beneficial "ripple effect" among local suppliers while providing some safeguards against sudden plant closures.

However, as the record of US electronics multinationals in Britain shows, foreign companies anchor themselves securely in host economies and contribute fully to their skill base only when they put down local design, development and engineering activities, as well as production.

US companies such as Ford and Hewlett-Packard did this early on. For Japanese companies multinational expansion is a more recent experience. Yet the speed at which they have set up local manufacturing facilities suggests some of them should be ready to move towards a fully-integrated value-added chain by establishing research and development activities in Europe.

#### Slow results

Although a few have already committed themselves to doing so, they have so far been slow to deliver results. Canon, which made a declaration of intent four years ago this month in the middle of an EC month in the mindle of an EU anti-dumping inquiry, only put it into effect this year. Even then, the small UK centre it has established is more involved in research than

Such remote research centres are far easier to manage than a fully-fledged design, development and engineering operation, which has to be integrated closely with mannfacturing and marketing. As many Western companies know to their cost, this is diffi-

single country's boundaries, let alone between continents.

Japanese companies have moved faster in the US, where several have established design and development units. None and development units. None the less, these are mostly still dedicated only to the US: they have not yet been integrated into a fully multinational network, with a remit to design products for global markets. Similarly, Nissan's new UK facility will — initially at least — develop cars mainly for Europe

Europe.
Only if Japanese companies move beyond this stage will as multinational they become as multinational as Hewlett-Packard, Unilever, Procter & Gamble and Ford, all of which now have complex development networks in which projects are shared across continents, or are shifted between them from one shifted between them from one product generation to the next. But Japanese companies seem to be holding back for fear of disrupting their highly effective "rugby team" style of product development, in which specialists from different disciplines collaborate at close quarters.

Commercial imperatives

They will abandon this approach only when presented with a superior alternative. This is unlikely to stem from pressure by western govern-ments, but from commercial imperatives. Acute skill shortages are already leading Japa-nese companies to consider shifting development work offshore, while their simulta-neous diversification into new geographic and product mar-kets seem likely to require much more decentralised deci-

much more decentransed deci-sion-making than in the past. It is in the long-term interest of Japanese companies — as well as of host economies — that they should adapt their organisation and management structures to these new conditions. Becoming more broadly-based multinationals will help them not only to serve global markets more efficiently, but to overcome one of the biggest sources of friction with the rest of the world. This is the widespread, if exaggerated, perception that their overriding strategic priority is to promote the national economic advancement of Japan at the expense

Tragedy in Ethiopia

THE SPECTRE of starvation again looms over Ethiopia, evoking memorles of the 1984-85 famine when up to Im people died. Again the international community is being asked to assist. This time, however, the response to the urgent needs of some 4m Ethio-pians may well be blunted by a sense of futility and frustration about a tragedy which owes more to the destruction wrought by man than the

vagaries of nature.

Questions posed at the time of the last disaster are still pertinent, but in the five years that have elapsed the answers have become no more palat-able. Is Ethiopia — one of the world's poorest countries incapable of preventing such tragedies? And does aid buttress a despote regime?

The answer to the first is surely yes - as long as President Mengistu Halle Mariam

remains in power, and the country's civil wars continue. The record of recent years suggests that the answer to the second question is also yes—although humanitarian considrations must prevail when responding to the latest appeal. The massive assistance provided five years ago, and continued on a smaller scale in subsequent years, has saved lives. But it has had little effect of flowed economic policies. on flawed economic policies. Nor has it led to an amelioration of an authoritarian politi-cal structure. Rather it has subsidised a government presiding over a system which makes food shortages endemic. The policies of President Mengistu's military government remain the greatest single contributing factor to Ethiopia's crisis. Agricultural productivity has declined more because of misconceived poli-cles than drought.

#### Modified dogma

Although the Marxist dogma that has shaped economic development since the revolu-tion in 1974 has been modified. the government remains wedded to the concept of a centraily controlled economy, and a one-party state. This combi-nation has failed in Ethiopia, as in other African countries.

Aside from the devastating impact on agriculture, the com-bination undermines an initiative which in different hands

might be part of the long term answer to Ethiopia's crisis. The relocation of Ethiopians living in the drought-hit regions, where deforestation and erosion have left the environment incapable of sustaining the present numbers, to more fertile land in the south and south-west, is in theory sound. In practice it contributes to the disaster, as does the pro-gramme of "villagisation," which brings together scat-tered peasant families in order to provide social services.

#### Forced moves

Many of the hundreds of thousands of families affected so far have been forcibly moved to mostly ill-planned villages, often without the ser-Were the Ethiopian govern-

ment truly representative of its people and responsive to their needs, the second issue that affects the current crisis might be more susceptible to a nego-tiated settlement: the civil con-flicts in the provinces of Eri-

nicts in the provinces of En-trea and Tigray.

Neither conflict is easily resolved. Eritrea has a legiti-mate claim to independence. But any government in Addis Ahaba would think twice about ceding independence, so losing control of its outlet to the sea. Tigray seeks not indepen-dence but autonomy, which may be essier to accommodate. Yet the prospect of success for a guerrilla movement whose leader sees Albania as a model

to emulate, almost provokes sympathy for Mr Mengistu. Until these conflicts are resolved Ethiopia will remain impoverished, but the world can help provide some respite for the victims. Adequate sup-plies of food for the 4m people at risk will largely depend on whether there can be an agree-ment which gives safe passage

to relief convoys.

It is time for the interna-tional community to appeal to the warring factions to reach such an agreement as a matter of utmost urgency. In particu-iar, the Soviet Union, still the main backer of the Mengistu regime despite its support for the current talks, must make clear its desire for such a move. And the first step towards this initiative should come from this weekend's superpower meeting off Malta.

David Marsh on shocked reaction to the murder of Alfred Herrhausen

"Himmelhoch jauchzend, zum Tode betrübt" (Passionate pain raised up to heaven, the deeper to fall)

oethe's classic description of the wavering emotions of the Germans gives an inkling of West Germany's confused shock after the murder yes-terday of Mr Alfred Herrhausen, chief executive of the Deutsche Bank.

After the headiness and hope generated by the breaching of the Berlin Wall three weeks ago, the terrorist bomb which shattered Mr Herrhausen's car in Bad Homburg yesterday brought Germany down to earth.

The Federal Republic has lost not simply a man who stood at the pivot of industrial and banking power in Europe's strongest economy, and who had become a kind of informal economic adviser to Chancellor Helmut Kohl. At the helm of the bank which has played a dominant role in both pre-war and post-war German busi-ness life, Mr Herthausen, who was 59, represented a central strand of German national continuity. One of Mr Kohl's closest aides, describing Mr Herrhausen as "a German patriot," said that the Chancellor was grieved at losing both a top industrial leader and a personal friend.

Amid the last few weeks of opti-

Amid the last few weeks of optimism about democratic reforms in eastern Europe, Mr Herrhausen proved an outspoken — perhaps, too outspoken — proposent of German reunification, calling it, only a day before his death, "desirable and inevitable."

The assassination took place just two days after Mr Kohl presented to parliament in Bonn his Government's first operational plan towards achiev-ing an all-German federation, and it is almost certain to muddy further the issues around the future of the Ger-

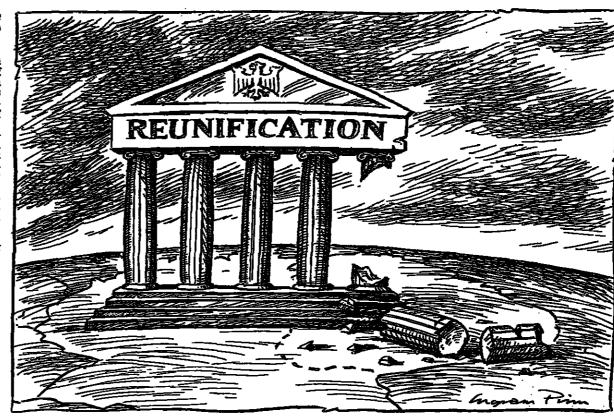
One of the main assumptions of police investigators yesterday was that the Red Army Fraction (RAF) terrorist group killed Mr Herrhausen because of his involvement with the so-called "military-industrial complex." The Deutsche Bank chief had played a decisive role in steering through the hotly contested takeover of Messerschmitt-Bölkow-Blohm (MBB), the aerospace and defence group, by Daimler-Benz, in which

Deutsche owns a 28 per cent stake.
But a chilling question surrounding
the killing is whether the terrorists
also chose to liquidate him in a bid to
check the process of German unity. Mr Herrhausen, who accompanied Mr Kohl on his trips to Moscow and Poland during the past year, had been an able supporter of the extension of financial help to the eastern bloc to back political and economic reforms there. "He was a sort of politician," said one German economist vesterday said one German economist yesterday who has closely followed Mr Herrhausen's fortunes: "This a setback for the psyche of the whole country."

Mr Herrhausen's murder is certain to have repercussions well beyond the question of German unity. The last political assassination was three years ago – the gunning down in Bonn in October 1986 of Mr Gerold von Braunmühl, a senior Foreign Ministry official. Yesterday's attack closely resembled the explosion in July 1986 which killed Mr Karl Heinz Beckurts, the Siemens research chief, who was closely involved with the

nuclear energy programme.

The conclusion is that a small number of urban guerrillas and their sympathisers – the successors to the Baader-Meinhof gang which attained bloody prominence in the late 1960s – is still capable of wreaking havoc. The similarities with the 1977 murder of the former chairman of the Dresdner Bank, Mr Jürgen Ponto, shot dead at his home outside Frankfurt, are grimly depressing.



## Harsh reminder of German divisions

Pressures for stronger law and order measures may grow after yes-terday's outrage, and the affair could have an impact on the campaign lead-ing up to the general election at the end of next year. But officials acknowledge that, even for well pro-tected men like Mr Herrhausen, in a free society there can be no 100 per cant security from determined terror-

Because of his top connections and high-profile views, Mr Herrhausen had been given the highest security status – a measure which was yester-day extended, in an immediate emergency reaction, to all senior Bonn pol-tricians. But the banker's bodyguards, in two cars accompanying his armoured limousine, were reduced yesterday to the role of spectators capable only of surveying the wreck-

whether the terrorists chose to liquidate him in a bid to check the process of German unity

Mr Herrhausen had sometimes declared himself irritated by the notion that he had permanent access to the Chancellor's ear. He told one private meeting recently that he had seen Mr Kohl no more than twice in a year. There was never any doubt, however, that the Deutsche Bank chief enjoyed his closeness to the governmental levers in Bonn.
An exception among Germany's often rather introverted captains of

A chilling question is

industry, Mr Herrhausen was driven by a passionate - and sometimes arrogant - need to inject his views into areas extending well beyond the immediate confines of banking. His frequently proclaimed opinions on arms control or debt forgiveness for Third World nations were, in fact, unusually progressive. "He was a tremendously strong and clear leader with lots of ideas of his own. He was certainly ahead of his time with his attitudes," said one western ambassador in Bonn.

after the death through illness of another of the most active figures in German industry, Mr Rudolf von Bennigsen-Foerder, the chairman of Veba. The untimely loss of both men deprives West Germany's corporate world of colour as well as brains, flair and imagination.
Certainly, Mr Herrhausen never

ducked the question of the Deutsche Bank's power and its desire for still greater reach. In an interview 10 days ago – just a week before the bank announced its takeover of Morgan Grenfell, the London merchant bank, he gave an unusually vigorous statement of ambition: "Germany, a reunified Germany, will be an enormous, strong economic force . . . and when you as a bank are strongly positioned within this country, then I think you are destined to play a major role in global banking.

The bank owns direct stakes of more than 10 per cent in 10 top industrial and insurance companies. Deutsche Bank's representatives occupy supervisory board seats across the cream of German industry. The most prominent participation, the stake in Daimler-Benz - now West Germany's biggest company - has its roots in

the bank's role in steering the merger of Daimier and Benz in 1926. When asked on numerous occasions about the competitive repercussions of the bank's extensive corporate involve-ment, Mr Herrhausen had a stock reply: "We are a powerful institu-tion...my ambition is that we should use our power responsibly." Following in the footsteps of the legendary post-war Deutsche Bank chief executive, Mr Hermann Josef

Abs, who at one point collected 24 supervisory board posts throughout industry, Mr Herrhausen had a place on six supervisory bodies.

One of the key places where his

death leaves a vacuum is at the the helm of the Daimler-Benz supervisory board. In one of the most striking examples of German industrial continuity, a top executive of the Deutsche

Deutsche Bank is often seen as heralding salvation for the East, but also as a purveyor of capitalist oppression

Bank has held the dominant position at Daimler virtually without a break for more than 60 years. Mr Edzard Reuter, Daimler's management board chairman, who had built up a close relationship with Mr Herrhausen, spoke for many yesterday when he said that the assassination was "aimed against the whole of our political, social and economic order of which Aifred Herrhausen was one of the most outstanding representa-

It was precisely Mr Herrhausen's a prime target for the assassins, in a not untypical example of the ambivalence surrounding the whole question of West Germany's links with eastern Europe, the Deutsche Bank is often seen as heralding capitalist salvation for the hard-pressed East — but is also regarded as a purveyor of capital-ist oppression.

To underpin economic reforms, reformist leaders like Lech Walesa in Poland have, for instance, been call-ing on German banks to extend their activities in eastern Europe, even to the extent of opening up facilities for foreign currency accounts. Deutsche Bank announced in October that it had become the first German bank to win approval for representative offices in Warsaw and Budapest.
On the other hand, for left-wingers

in both East and West Germany, the Deutsche Bank, and Mr Herrhausen Deutsche Bank, and Mr Herrhausen in particular, have become bogsymen preparing "absorption" of the East German state by the Federal Republic. Demonstrators in West Berlin three weeks ago greeted bemused travellers from East Berlin, crossing to the West for the first time in their

to the West for the first time in their lives, with posters proclaiming. "The freedom you see here is the freedom of the Deutsche Bank."

Mr Stefan Heym, the veteran dissident East German novelist, who has assumed the role of spiritual father of the East German opposition movement in recent months, has been active in publicising fears of a "sellout" to the West. At a press conference in East Berlin on Tuesday, Mr Heym, warning of the denger of a "takeover" by the Federal Republic, spoke of his concern that a unified German state would become a Germany of "Messerschmitt, Mercedes and Mr Herrhausen."

and Mr Herrhausen."

Mr Heym, a fugitive from Nazi oppression in the 1930s, suggested that this would be a re-run of the "Great Germany which has done so much harm." Partly because of the country's complex past to which Mr Heym refers, the killing of Mr Herrhausen is bound to be seen in a historical country. One parallel is the rhausen is bound to be seen in a historical context. One parallel is the murder in 1922 of Walther Rathenau, Foreign Minister under the Weimar Republic, who was killed on his way to work in Berlin's Königsallee.

Rathenau had headed the supervisory board of the AEG electrical company between 1912 and 1921 and was a

pany between 1912 and 1921 and was a leading figure in Germany's First World War military machine. He was killed by right-wing "patriots" because he was a Jew and for allegedly betraying Germany; Herrhausen, it appears, because of too strong a commitment to capitalism.

Both cases show how public figures, separated by six decades, can fall victim to the intolerance of extremists, but it would be a wistake to come the

but it would be a mistake to carry the parallels with Weimar too far.

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The stunned West German Bundes-tag was given the news of the Her-rhausen murder yesterday morning. After a dignified tribute to the banker from Mr Wolfgang Schäuble, the Inte-rior Minister, and several minutes of confusion, parliament resumed its debate on the budget with a speech from the Environment Minister. One West German diplomat commented: "We were all starting to feel united; and then this brought back the realisation that there are some who want a

different society."

Mr Herrhausen's murder reminds today's Germans that, in spite of their country's perceived perfectionism and efficiency, far too many of their top corporate figures have fallen prey to the bomb and the gun. But the best tribute to Mr Herrhausen's accomplishments at the pinnacie of German capitalism will be if, after his death, the Federal Republic carries on more or less normally.

#### Defending Hong Kong

■ Strong words about Hong Kong from Ian Hay Davison the chairman of Laing & Cruickshank, who has the advantage of knowing some-thing about the subject. Davison thinks that the British Government's present policy to the Territory is pretty spine-less – to put it mildly – and has said so in public.

He wants direct elections to the legislative council and the right of abode for the people of Hong Kong in the United Kingdom. All that, and more, came out in a lunch-time speech at the Beazer annual general meeting in Bath yester-

Davison has nothing directly to do with Beazer, the property and construction company. But the company has a tradi-tion of inviting someone with links to the west country to speak at its agms. Chris Pat-ten, the MP for Bath and now the Environment Secretary, was a previous example. Davi-son lives in Somerset and lists public speaking among his

His knowledge of Hong Kong stems from the stock market crash of 1987 when the local stock market was closed and Davison was called in by the Governor, with the backing of the Bank of England, to conduct an inquiry. His review lasted six months and his recommendations were fully mplemented. He notes that when the markets again fell heavily in October, there was no question of shutting them

down.
The event that moved him to speak out about Hong Kong was the massacre of the dem-onstrators in Peking's Tianan-men Square by Chinese troops last June. The proposals for the future of the Territory might have been acceptable under a benign and increas-ingly democratic Peking regime," he said yesterday, but "they will not do in the present political climate".

### **OBSERVER**

Davison reminded his audi ence of the position of Shang-hal before and just after the war - the biggest and most prosperous city in the East. In 1949, when the Communists came in, they promised to pre-serve its international status and capitalist system. "That promise lasted about six months and much of the Shanghai business community fied to Hong Kong. The Hong Kong Chinese remember

Shanghai very vividly," Davison said. His remarks were aimed spe-cifically at the British Government, "which fails to act," he claimed, "for fear of offending the Chinese. But I say, which Chinese? After the events in Czechoslovakia last week and East Germany the week and East Germany the week before, do we really believe that the Peking regime will wear its present face for long?"

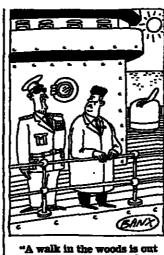
Davison argues that if the right of abode for Hong Kong citizens in the UK is restored, it will slow down the tide of

it will slow down the tide of emigration. Moreover, there can only be a European or international response if Britain acts first. On the demands for direct elections, he said: "We should support them, regardless of the views

of Peking."
Davison has not had talks with the British Foreign Office, whose rather more cautious to be published shortly.

Careless

■ Even the best reference books are not entirely reliable. We were checking a fact on Ian Hay Davison. Who's Who in the City has him down as having been Chairman of the Hong Kong Securities Review Committee from 1977 to 1988, whereas the task lasted six months. And even the usually punctitious Who's Who proper prints a line twice about him being a director of the Midland



of the question, then?"

Incidentally, only Who's Who in the City includes public speaking among his recreations. Both, however, include "supervised gardening".

Books galore ■ No doubt entirely for subjective reasons, one has always regarded book publishing as one of the least efficient of British industries — unavailability of the books you want, no superent positionship. no apparent relationship between price, size and quality

and indeed no obvious reason why some books are published

There is no doubt, however, about its size and growth.
According to figures just
released by the Publishers'
Association, the total retail value of the UK book market last year was £2.2bn. Sales in the UK have risen by 37.5 per cent in real terms since 1981 and readership is steadily increasing. Family expenditure on books — again in real terms
— has gone up by just over
30 per cent this decade.

Nor is this simply a case of books becoming much more expensive. Allowing for inflation, the price of books has risen by less than five per cent in the period. The number of titles produced has gone up by 44 per cent.

Security gap

Lyon, France's second city, reserved a very special wel-come for Interpol, the internacome for imerpot, the invaria-tional police organisation whose new headquarters there was inaugurated by President François Mitterrand this week. But the security still left some-thing to be desired. While Ray-mond Kendall, Interpol's secretary general and former Scotland Yard detective, stood at the President's side, his Lyon flat was comprehensively burgled.

Quiet party

An embarrassing 20th birth-day party on Wednesday even-ing for Accountancy Age, the pioneering tabloid which set the style for tweaking the tall of the wednesdays of the professions.

An 11th hour dispute on another magazine produced by Age publishers, VNU, led to all the editorial staff, includ-ing thelong-serving editor, Robert Bruce, going on strike just as their moment of glory approached. Result: the doyens of the profession who gathered at Le Meridien in Piccadilly, including such giants as Lord Benson and Eddie Ray, were left to chat among themselves, with not a journalist in sight.

Honda special

A friend just back from America went to buy a one day rover ticket from London Transport. "We don't have one day rovers any more," the ticket officer said. "They're called one day Hondas. What's more," he added, "I know a man who even calls his doe

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Acia't know about you, but I find I have to force myself to take Sir Anthony Mayer seriously. It is one thing for a potential alternative Prime Minister to challenge Mrs Margaret Thatcher's leadership of the Conservative Party, it is another for this particular courageous old buffer to do so. If it were not for natural caution brought on by a long memory I would ignore it. The memory goes back to the last weeks of the Macmillan-government, when one profeslan government, when one profes-sional commentator, whose blushes I shall spare today, went around saying that he could not believe that a callgirl, or even a minister's lie about his association with her, could bring a association with her, could bring a British Prime Minister down. The then Mr Macmillan resigned in the ground of illness, but it is likely that he would have been obliged to do so anyway in the wake of the Christine Keeler John Profumo scandal.

Of course the situation is quite different now. There is no whiff of scan-dal. Sir Anthony's candidature is comparable only in the degree of its apparent irrelevance to the fate of a powerful leader. Yet no one can doubt that there is a widespread belief that the last chapters of the Thatcher era are being written. This belief may be ill-founded, but if persists, and grows. The Prime Minister herself finally got it right in her. TV interview on Monday night, when she doggedly re-iterated the formula her advisers had drummed into her — that she would stay as long as the party and the electorate wanted her to. This was less of putting than the "on and on and on" of a couple of years ago, and less electorally damaging than her intimation a couple of weeks back that she would step down after the

Sir Anthony's gesture gives the party, in the form of its MPs, a chance to say whether or not it wants a new leader after 14 years of Mrs Thatcher. Most of them will cast their votes on the basis of a judgment of what the electorate is likely to want in a general election that may be 30 months away. Those who think Mrs Thatcher has become a political fiability will presumably vote Meyer or, more likely, abstsin, in the hope that if, say, 80 or 90 of them do so she will then feel obliged to make way for someone like Mr Michael Heseltine or Sir Geoffrey Howe or one of the other

The trouble with this line of thinking is that it comes up against the opposite proposition, which is that an outcome like that would leave the present Prime Minister in place, but wound both her and the party in the eyes of the public by showing the Tories to be hopelessly divided. If it really is a secret vote, which we impo-cents must presume it to be, then no individual MP can be sure of how the others will behave. Some of them were this week recalling the sad story of a candidate for their 1922 committee who, several years ago, received only one vote. He demanded a recount on the ground that at least nine per-sonal friends, mostly from neighbourPOLITICS TODAY

## Sir Anthony's gambit

By Joe Rogaly

port. After much fussing the ballot box was disinterred. The voting slips were displayed. Only one had a cross against the compisinant's name. It was his own.

There are other difficulties. The Conservative Party is in truth sorely divided, partly over support for public services, partly over the Prime Minister's style, and partly over the opti-mum approach to further develop-ment of the European Community. Sir Anthony's manifesto, which appeared in yesterday's Times, took the contra-Thatcherite line on all of these issues. He concludes that "her policies are out of tune with the feelings of the British people." Many leading Conservatives, including perhaps a majority in Mrs Thatcher's Cabinet, have at one time or another expressed a similar opinion, either in public or in private, yet none has had the guts to stand against her. One reason, spine-lessness apart, is that there is a growing self-comforting consensus that the next election will be won by a small majority, and that Labour will win an early election shortly after that. This would give the big names their chance to scrabble for the crown.

Meanwhile, Mrs Thatcher's true supporters are understandably anxious to maximise her vote, so that Sir Anthony's gambit can be written off as a small, if irritating, historical foot-note. A score or less of Meyer votes plus abstentions might just achieve that. Yet it is acknowledged that there would then be accusations to the effect that waverers had been bul-lied, either by the Whips or nasty whispering campaigns, or by ugly Labour Militant-style threats to get MPs to confess their votes to constituency party activists. When the Tory side of the Commons approaches mass panic some of its members behave very badly.

No wonder so many of them are going around mumbling that in terms of the effect on public esteem the bellot for the leadership is one vote the Conservatives can't win.

The new Home Secretary, Mr David The new Home Secretary, Mr David Waddington, must be observing all this with mixed feelings. If Mr Nigel Lawson had not resigned as Chancellor just five short weeks ago Mrs. Thatcher would not have been obliged to make her lightning reshuffle and he would still have been Chief Whip. ing constituencies, had looked him in he would still have been Chief Whip. the eye and promised him their sup. It would have been his task, and not

that of Mr Timothy Renton, to shepherd the leadership vote through. Now he is a mere observer, albeit from the lotty vantage point of one of the three senior ministries. If matters had gone differently when Mr Lawson stepped down on that famous after-noon of October 26, Mr Waddington may have been made something quite other than Home Secretary - it would not have surprised him if he had turned out to be, say, Transport

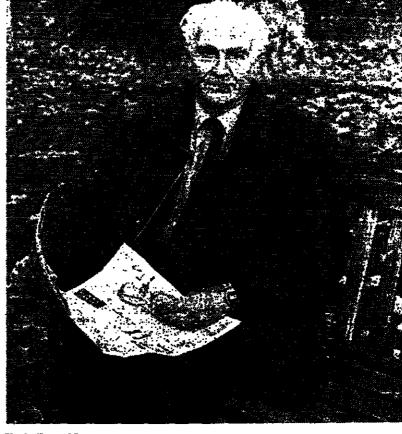
Secretary.

In getting the Home Office he has, therefore, benefited from that most precions of political attributes: good luck. Mrs Thatcher may also be a beneficiary, since Mr Waddington is without question on the right of the party. In any Cabinet vote on, say, entry into the exchange rate mechanism of the European monetary sys-tem, he would be likely to take her side against a potential Cabinet side against a potential Capital majority of a more pro-European per-suasion. His predecessor in the Home Office, Mr Douglas Hurd, would, as Foreign Secretary, be on the other side; even the new Chancellor, Mr John Major, might emerge as non-Gaullist and relatively unreliable.

The new Home Secretary has a reputation as a hanger, an unreconstructed law'n'order man and scourge of immigrants. If only he were precisely that, some Tories say, he might win a few votes in the West Midlands, where they will be sorely needed. In fact the truth is rather more complicated. Mr Waddington regards Mr Hurd as having been a remarkably safe pair of bands, and be intends to continue that tradition.

On most issues he sees very little room for a change of direction, at est between now and the next general election. Whenever asked, he will say that he favours capital punisht - but he would be amazed if the House of Commons, on the free vote traditional in these matters, ever agreed to it. He will use the language of the lawn order enthusiast when it comes to crimes of violence. His eches will also emphasise concern for victims, redress of wrongs done to them, and their rights in judicial proceedings. A White Paper on criminal justice, due in January, will probably retain the Home Secretary's discretion over parole for serious and violent offenders.
All of that should get cheers at the

1990 Conservative Party conference, but it is in essence a Waddington rhe-



Sir Anthony Meyer

torical gloss on Mr Hurd's "twin track" policy of seeking to send fewer minor offenders to prison and coming down heavily on the real thugs and gangsters. The Hurd/Waddington message is already getting through to the courts, with the result that the new Home Secretary has found that pressure on prison space has eased sufficiently for him to begin a pro-gramme of refurbishment of some of our Victorian monstrosities. The prison population is usefully lower than it was at the same time last year. mostly as a result of keeping younger offenders and remand prisoners out of jail. The plan now is to defer the start of four new prison buildings, and put money into "bail hostels" and similar schemes designed to reduce the

prison population. He does not see any pressing case for tightening immigration rules, although he would like to do so in the case of people who say they are refu-gees but whose papers do not stand up to British official examination. It was Mr Waddington who, in 1987, put through the Carriers' Liability Act after four years as a junior Home Office minister. The number of applicants for refugee status has more than doubled, to around 12,000 this year. A third of them were Turkish Kurds; Mr Hurd's Home Office stemmed the flow earlier in the year by requiring visas. Now the applicants tend to be Somalis, some coming through the Soviet Union.

There is plenty of room for doubt about the intent of these and similar

laws; my own view is that the Government's policy is illiberal in the extreme. It deprives Britain of many bright and energetic people whose presence would help revive a flagging economy. We should be ashamed.

If we are to have such tight regu-lation it is important that the police and immigration officials act with fairness, tact and discretion. I am assured, correctly I trust, that Mr Waddington insists that his officials act without racial bias. His mechanism for ensuring this is the recruitment and promotion of more black and Asian immigration officers, careful screening of all applicants, and good training of the staff that exists. From the immigrants' point of view there is much headway to be made: one reads too often that the police/ immigration officer posse can on occasion be a terror in some areas.

There is one thing the new Home Secretary could do about this quite quickly: he could make it plain, both in the Commons and outside, that decent, sensitive behaviour is expec-ted at all times, without exception. This "signalling" is said by the Home Office to have worked in the case of the courts and sentencing policy. It should also be tried over race relations in general and immigration control in particular. In personal terms, Mr Waddington is a decent, affable Lancastrian. He saw off the anti-immigrant far right at a Tory party conference some years ago. Let us wait to hear what he has to say now that he speaks from a post of high authority. LOMBARD

### Two faces of the **Community**

By David Buchan

CHARITY begins at home, or at least with close neighbours. The European Community this week seemed to be turning a cold shoulder to distant ex-colonies in the Third World while giving new "colonies" in adjacent eastern Europe a warm

embrace. Consider the Community's negotiations for a new Lomé aid and trade pact with 66 African. Caribbean and Pacific

(ACP) states, mostly former colonies of the Twelve.

A few weeks ago, EC diplomats stayed up all one night to agree a common negotiating stance among the Twelve in the belief that the ACP representatives were doing the same for their group. They later dis-covered that their counterparts had finished their Lomé busi-ness hours earlier in order to engage in a quite extraneous disagreement about the appointment of the next ACP retary-General.

This week the Community more than got its own back. It first demanded that the ACP states accept all the terms of the new Lome pact before it would put a price tag on the total volume of aid to be disbursed to them. It then kept them waiting for another day before coming up with a take-it-or-leave-it figure. Contrast this with the way

Community goodwill has greased the passage through the EC Council of Ministers of aid and trade concessions to Poland and Hungary. Indeed, it seemed that the Community could not improve its offers

fast enough.

Poland is one example. In February Brussels was ready to reduce, but not abolish, quo-tas on Polish industrial goods. By April it was ready to phase out all such quotas by 1994, and an agreement to that effect was signed in Warsaw in September. By early November it agreed to abolish these quotas by January 1 1990, increase the by danuary 1 isse, increase the farm trade concessions in the September accord, and give Poland preferential tariff status normally awarded to developing countries. On November 22 the Commission proposed within Poland (and Hunster) putting Poland (and Hungary) ahead of many other exporters to the EC by exempting them next year from quotas on sensi-

tive items such as cars and shoes. Five days later whoosh - the proposal was through the Council without a murmur.

There is, of course, an element of chalk and cheese in the differing treatment given to eastern Europe and the ACP states. The Lome convention is a 10-year deal, and the EC offer of Ecus 10.7bn (£7.8bn) for the first five years of it is not stingy. With eastern Europe, Brussels is catching up in order to end 40 years of ostracism. But the contrast has not gone unnoticed among the ACP states. Senegal's ambassa-dor to the EC recently calculated that the Community was giving the equivalent of \$60 in aid to every Pole and Hungar-

ian, while the ACP states were receiving only \$7 per head.

A weakening of the Community's emotional ties — some of which were not very strong in the first place - with its for-mer Third World colonies was probably inevitable over time. West Germany, the EC state most drawn to the East, pays a full quarter of the Lome bill. But it has only a passing historical connection with five of the ACP states: Togo, Rwanda, Burundi, Tanzania and Namibia (due to join Lomé next year). The commercial benefits of Lome membership have also waned with every Gatt round that cuts EC tariffs on all goods and gnaws away the ACP relative advantage of duty-free access to the EC mar-

Efforts by Brussels to per-suade the ACP states to try to wring concessions from other rich markets - the US and Japan - have not worked because the 66 have no historical or emotional hold over Washington or Tokyo. The rich man's club has instead been fully mobilised to help Poland and Hungary (and probably Czechoslovakia and East Germany next).

Overcoming the East-West divide is far higher on the Community's agenda than nar-rowing the North-South gap. But if the post-1992 single market creates the extra wealth it is supposed to, then the Com-munity will not have to choose. It will have the loot to pursue both goals.

### **LETTERS**

#### The need to stay the course

From Mr Michael Gray.
Sir, Michael Prowse's article,
on the need for radical curricuon the need hir rancal current-lum change if we are to increase the participation of young people in full time edu-cation at 16-plus to the level achieved by our chief competi-tors, is as good a survey of the

(November 29).

And he is right to put the curriculum first. In the past two years the encouraging effect of GCSE (General Certificate of Secondary Education)

Facing east

From Mr Nicoles Travers. Sir, Richard Lucas's claim that East German currency exports return home to swell German Democratic Republic (GDR) domestic money supply takes an academic view which - sadly - pays scant regard to hard market place realities (Letters, November 29). The GDR Government exports banknotes to secure badly needed hard currency.

These exports have grown rapidly over the past couple of years, and the free market price of the East German MDN has fallen as the export flow has grown. (GDR political reform – and the opening of

reform — and the opening of the GDR's western borders—
is a useful political cover for a gainful economic exercise.)

The GDR Government has had to work progressively harder for its bard currency by printing progressively more exportable bankmotes as the free market price of the MDN has fallen. But the GDR Government has also nearly profited from short-selling its paper, 1,000 MDN might have bought a 100 or so Deutsche Marks a year or so ago; today 1,000 MDN might be bought for 50 or so D-Marks. 50 or so D-Marks.
So short selling and subsequent repurchasing in a falling

market has enabled the GDR Government to print bank-notes, sell them abroad for liadly needed hard currency, and then both buy them back much more cheaply and retain much of the hard currency media of the hard currency earned in the exercise before recycling the banknotes thor-ough the whole process again — with no noticeable effect on GDR money supply at all. The GDR Government has the power to stop the recycling any time, simply by removing the banknotes from circulation and

tearing them up.
Short selling is also helping the GDR Government to "demonstise" its monetary overhang: East German savers have rushed to translate MDN into western consumer goods. However, in a bitter irony these unfortunate savers are financing their transactions by buying banknotes to sell them at notionally ridiculous prices, in an exercise which helps both to swell both GDR Government short selling and GDR

short selling benefits.

East Berlin can really be quite bright - not to mention opportunistic - at times. Nicolas Travers, Birchfield Cottage, Middle Green, Slough, Berkshire

the student participation rate at 16-plus - which, in the Alton area of Hampshire, rose from 57 per cent to 65 per cent as a direct result of that imporplaced to develop the sort of modular maze that Michael Prowse describes.

A further issue is the salary - However, the institutional organisation of post-16 study is . also important.

There is now a great deal of evidence that where LEAs (Local Education Authorities) have created separate post-16 establishments - such as sixth form or tertiary colleges -

has had a marked impact on there has been a significant increase in the participation rate as a direct result; and a tertiary college, with its experi-ence of both the academic and vocational curricula, is well

> structure for teachers at the 16-plus level. If we are to succeed in attracting and retaining the best qualified honours gradu-ates, and the men and women

ence, whom we shall need, in order to provide a high quality service at 16-plus, then we shall have to persuade the UK Government that we are competing in a market place for such people, and have to pay them at the levels enjoyed by the teaching profession in most of our competitor nations. Michael Gray,

with good industrial experi-

two resolutions of the United Nations Security Council (passed on August 13 1948, and January 5 1949). These resolu-

tions, initially accepted by India, lay down the procedure

to decide the question of Kash-mir, including the holding of a plebiscite under the auspices of the UN.

observers continue to be sta-tioned in Kashmir, confirming

its disputed status, India has yet to honour the commitment.

made to the world in the UN, to hold the plebiscite in Kash-

The people of Kashmir deserve all possible help from the West – as they deserved it at the UN (Britain and Amer-

ica, among other western coun-

#### Kashmir's disputed status

From Mr M.B. Khan.

Sir, Your reporter in India, writing about the elections, failed to mention in his report (November 23) that the people of Kashmir, one of the 15 states to have elections on November 22, boycotted the elections. According to the bureau chief of the Kashmir Times (the largest circulating English daily newspaper of the state), when he was interviewed on the BBC World Service, the most conservative estimate of the turnout in Kashmir was less than 2 per cent. According to his account, people stayed indoors, and no important incident of violence was reported.
However, the small minority
of people who wanted to vote
did so without fear of intimidation. It may be pointed out that the only party to put forward its candidates was the ruling coalition of National Conference and Rajiv Gandhi's Congress-I, which came to power in the state after large-scale rigging in 1987. The other can-didates were unknown individ-

The people of Kashmir boy-The illegal status of the

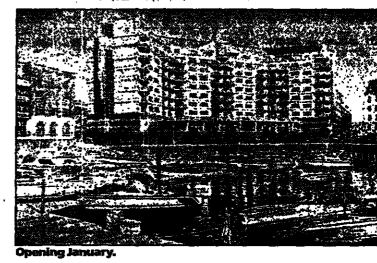
cotted these elections as a pro-test against the illegal occupation of their state by India,

tries, fully supported their case at the UN). Not only is Kash-mir the biggest piece of land under foreign occupation (Channel 4 report on Kashmir), but also its people have cho-sen, so far, the most peaceful ways of bringing about an end to occupation by India. M.B. Khan,

Department of Chemical Engineering, Imperial College, University of London

the taxpayer by under-pricing. With such advisers, who but HMG would also employ under-writers? Perhaps ministers BAe as adviser: two such coups as Royal Ordnance and Rover

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#### 'HMG is a forgiving employer'

From Mr Michael J. West. Sir, Your editorial, "Short-changing the taxpayer" (November 29), may give the impression that the sale of the

Rover Group to British Aero-imace marked a departure from that has otherwise been care-in and fragal UK Government

ers." Using the yardstick of offer price compared with price at the end of first day's trading every fixed price sale from Amersham (1982) to TSB lost taxpayers' money: the total is

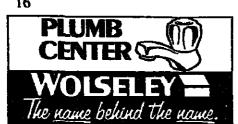
You go on to exonerate Baring Brothers, the adviser to the Government. Would you also Mon say: In this instance, exonerate NM Rothschild, adviser on the Amerikam sale, a cause of disquiet in 1982?

Clearly Her Majesty's Government did: NM Rothschild appeared again, advising on the even more valued Rolls-Royce offer in 1987.

But Her Majesty's Government is a forgiving employer: Baring Brothers itself seems to have been forgiven for Cable and Wireless in 1981, even though this was more than five times over-subscribed and transferred some £39m from

suggests a shrewdness which would be useful to the Trea-

sury. Michael J. West, Planned Business Services,



### **FINANCIAL TIMES**

Friday December 1 1989



### Gorbachev calls for early European summit

PRESIDENT Mikhail Gorbachev, the Soviet leader, yesterday responded to the upheaval in Eastern Europe with a call for a summit meeting of all 35 nations involved in the Helsinki process to be brought forward to 1990, in effect to lay the foundations for his vision of a "common European home."

Mr Gorbachev spelt out new details of his plan, calling for the creation of a "European legal space." not with iden-"European legal space," not with identical laws, but with "complete uniformity in the understanding and application by all states of the norms of

international law."

Speaking in the Campidoglio in Rome, venue of the signing of the Treaty of Rome which founded the European Community in 1957, he chose the moment when the once-impenetra-ble frontiers of Eastern Europe had begun to open to describe his own view of the future Europe.

"In the final analysis," he said, "we envision Europe as a commonwealth of sovereign democratic states with a high level of equitable interdependence and easily accessible borders, open to the exchange of products, technologies and ideas, and wide-ranging contacts

By John Lloyd and Leslie Colitt in Prague

CZECHOSLOVAKIA is to open

its southern border with Austria – dismantling another section of the Iron Curtain between East and West.

The opening of the border, announced by the country's embattled Government yester-

day, was the latest in a series

of developments underscoring the breaking up of Communist power in Czechoslovakia. In other moves, the Commu-

was attacked by its youth movement and the Prague

communist Party leadership for being incapable of reform. Seperately, Mr Jan Kvapil, head of Czech radio, resigned after some 90 per cent of his staff expressed a lack of confidence in him.

dence in him. Mr Marcel Janson, the dep-

uty government spokesman, said the Ministry of the Inte-rior had been ordered to "begin work to dismantle the

barriers and technical installa-

tions on the state border with

Austria" - adding that this would not damage the defence

of the country.

Meanwhile, in an interview

Vaitr Komarek, head of the

Prognostik economics institute and widely touted as future

Prime Minister of a democratic

Czechoslovakia, said: "If the people so desire and if it

depends on me saying yes or no, then probably I would accept being Prime Minis-

ter. . . I do not want to let the

people down."

This contrasts with a much

more coy answer to a press conference he gave yesterday

when he protested that he was

a simple economist who would

He warned that the Civic Forum was making "too many

compromises" in negotiations

with the Government, saying that "they are no longer the opposition and they need no

longer accept compromises.

prefer the role of advisor.

among people." At the same time, he dismissed any thoughts that the Soviet Union was about to "renounce socialism" as "wishful thinking," insisting instead that the new thinking of Moscow was to revive socialism on the basis of "the primacy of universal human values." In a sweeping philosophical speech he said: "We have abandoned the claim to have a monopoly on the truth. We no longer think that we are the best, and that we are always right. "We have now decided, firmly and

irrevocably, to base our policy on the principle of freedom of choice, to build

principle of freedom of choice, to build our economy and technology on the principle of mutual advantage, and to develop our culture and ideology through dialogue."

He also speit out what he described as the most challenging problem faced by the Soviet Union as the "rebuilding of the multi-national Soviet Federation," in which the legacy of long suppressed ethnic problems had suddenly "burst out to the surface."

Mr Gorbacher's plan for a dramatic

Mr Gorbachev's plan for a dramatic acceleration of the Helsinki human rights and disarmament process, bring-

Radical Czechoslovak economist Dr Valtr Komarek: ready

They must make the most of the opposition and the focus of the moral support extended to them by the nation."

Mr Ladislav Adamec, the Prime Minister, who yesterday the Socialist Party and the editor of the main Communication of the opposition and the focus of the effective power in the country, yesterday received both the general secretary of the Socialist Party and the editor of the main Communication of the opposition and the focus of the effective power in the country, yesterday received both the general secretary of the Socialist Party and the effective power in the country, yesterday received both the general secretary of the Socialist Party and the focus of the effective power in the country, yesterday received both the general secretary of the Socialist Party and the effective power in the country, yesterday received both the general secretary of the Socialist Party and the effective power in the country, yesterday received both the general secretary of the Socialist Party and the effective power in the country, yesterday received both the general secretary of the Socialist Party and the effective power in the country, yesterday received both the general secretary of the Socialist Party and the effective power in the country, yesterday received both the general secretary of the Socialist Party and the effective power in the country, yesterday received both the general secretary of the Socialist Party and the effective power in the country, yesterday received both the general secretary of the Socialist Party and the effective power in the country, yesterday received both the general secretary of the social secretary of the social secretary power in the country power in the c

The Forum is now picking and

choosing among a number of buildings eagerly offered to it

by the municipal authorities

for its headquarters, including the Palace of Culture (which it

The Prague city party coin-mittee aligned itself with the increasingly radical demands of the instant reformists in the

party base by rejecting the changes in the leadership made by the Central Commit-

tee over the weekend as a mere reshuffling of portfolios.

The youth movement central committee roundly castigated

its older equivalent, protesting

that it itself had long stood for renewal and change.

Komarek throws his hat into

the political ring, Page 3.

has rejected).

to be Prime Minister "if the people so desire"

for a speech on Wednesday

night promising reforms, is attempting to construct a

coalition Cabinet by the Sun-

day deadline set by the Forum. His caretaker Cabinet met yes-

terday to discuss the budget

for next year. However, Mr Gustav Husak, the President and former party

leader for much of the period since the 1968 Warsaw Pact

invasion, reportedly told depu-ties on Wednesday night that

he would not resign by Sunday

December 10 as demanded by the Forum. He said he would stay until his term of office

Civic Forum thinks it

unlikely that he will be able to

maintain this posture of defiance against its opposition.
Mr Vaclav Havel, figurehead

ended in May.

Czechoslovakia ready to open

southern border with Austria

ing forward the planned summit by two years, would seem to cut across carefully-laid plans for a series of meetings to discuss the full range of human rights, economic and cultural co-opera-

ion. Mr Gorbachev directly linked the idea to the current East European upheaval which has culminated in the explosion of political reform in East Germany and Czechoslovakia in recent

weeks.
"I believe that this year's events
underscore the desirability of an allEuropean summit, a Helsinki-2 meeting," he said. "We could consider
advancing its date from 1992 to, say, as
early as 1990." His suggestion would also mean that

the 35-nation summit, involving the US and Canada as well as the European nations, could coincide with the planned 23-nation meeting of the Nato and Warsaw Pact allies to finalise their intended conventional armed forces reduction agreement.
Mr Gorbachev's idea of a "European

legal space" remains rather vague but it is clearly linked to his own mara-

scratch - the foundations of a "lawbased state" in the Soviet Union. He said that much had already be He said that much had already been done in the Soviet Union to bring its domestic legislation in line with the concluding document of the Conference on Security and Co-operation in Europe (CSCE) in Vienna, and with United Nations guidelines.

He added that the possibility of jointing the European Conventions

ing the European Convention of Human Rights was under active consideration in Moscow.

Mr Gorbachev described 1989 as "an

extraordinary and very significant focus of international attention as "one after another (they) are crossing the line beyond which there is no return to the past."

• Separately in Rome yesterday, Mohammad Zahir Shab, the 75-year-old former King of Afghanistan, and Ital-ian party leaders were among the obligatory meetings held by Mr Gorba-chov and Mr Eduard Shevaduadze, Moscow faces fresh nationalist pro-

### France to press for European aid bank

By George Graham in Paris

FRANCE is to submit a detailed proposal for the creation of a European Develop-ment Bank, intended to finance projects in Eastern Europe, to the European Community sum-

the European Community summit in Strasbourg next week.

Officials have agreed the proposal outlines to put to the summit. France, which currently holds the EC presidency, hopes the meeting will decide on an intergovernmental conference grouping not just the 12 EC countries, but also the countries of Eastern Europe and members of the European free Trade Association (Efta), with the aim of drawing up the development bank's statutes.

The idea of the European Development Bank was floated by President François Mitter-

by President François Mitterrand of France at the European Parliament in October and dis-cussed at a meeting of heads of government in Paris two weeks

Other countries have expressed reservations about the idea, including the Netherlands, West Germany and Italy. These reservations seem, for the most part, to have been that even the UK seems unlikely to stand out against a decision to create the bank.

The French goal is an institution similar to the Asian Development Bank, with a capital of about Eculobn (\$11bn), providing finance both on con-cessional terms and at market interest rates. The 12 EC countries would have a majority of the capital but the countries of Eastern Europe, together with Efta countries and perhaps also the US and Japan, would also have shares in the bank and be represented on its board. France is keen not to allow the decision in principle to get hogged down in discus-sions of where the bank would have its headquarters. Berlin, however, has been suggested as a possible site.

Critics of the scheme say that the European Investment Bank (KIB) already performs the same sort of project financ-ing, and could be expanded to take on the additional role of co-ordinating EC financial sup-port for the overhaul of the economies of Hungary, Poland, East Germany, Czechoslovakia and the Soviet Union.

first pan-European institution.

The EIB might, however, take a stake of perhaps 5 to 10 per cent in the new bank. It might also act as a pathfinder, carrying out some of the development bank's future roles while the statutes are drawn up and ratified by each member country and the structures put into place. This is expected to take at least six months to a to take at least six months to a year, even if the all countries involved decide to press ahead at full speed.

The Eastern European countries who would be the main targets of the bank's funding have expressed interest, but some countries are cautious about committing themselves until the details are clearer.

The constitution of the bank would raise practical problems for Eastern European countries, including currency con-vertibility and the extent of their entitlement to conces-sional funding. EC officials are adamant that the bank's funding must be heavily condi-tional on economic reforms, and that participation in its capital will entail no automatic

French officials point out, however, that the EIB is exclu-sively an EC institution; there can be no question of the Soviet Union, for example, sit-ting on its board and deciding on whether to fund projects in, say, Portugal.

The new bank would be fun-damentally different in that it would associate the countries of Eastern Europe, creating the first pan-European institution.

BPB's managers may not look gambling types, but they are in a high stakes poker game at the moment. Faced with a downturn in demand, a challenge to its monopoly in the UK market and falls in plasterboard prices across Europe, BPB is increasing its capacity and capital expenditure. It counts on plasterboard demand growing at 7 to 8 per cent per annum in the 1990s; if it can see off its rivals and maintain its firm hold on the UK and many other large Euro-pean markets, BPB should reap the benefits.

### Ferranti's woes writ larger

FT-SE 100 Index

There is something rather roter is something rather podgnant about the spectacle of Ferranti issuing writs against people it cannot find and Panamanian companies which no longer exist. The sums seem to be getting larger all the time: the gross value of the fraudulent contracts is now put at lent contracts is now put at \$444m and the net cash stolen at \$198.5m. On top of that, Fer-ranti is claiming compound interest stretching back as far as 1983, when the fraud appar-ently started, plus unspecified damages for the harm done to its other operations.

its other operations.

If any of this were realistically recoverable, the proposed new 1p Ferranti shares entitling the holder to the proceeds would be an interesting speculation. Even without the compound interest, the cash would be worth 17p a share, or rather more than a third of the current market value. But expectation of strong growth sounds ominously like the strategy followed by the steel industry in the late 1976s. However, the crucial factor in favour of BPB is that it is determined to be the low cost rather more than a third of the current market value. But merely tracking the money, let alone recovering it, will doubtless take years. If the 1p shares ever make it to the market, they will have a strictly specialised appeal: though they might be a useful hedging instrument for International Signal's ex-anditors, Peat Marwick. determined to be the low cost producer. That ought to ensure its long term success, but the next two years could be hairy. Demand for UK plasterboard is 20 per cent down on its peak and BPB is losing market share; Redland and Knauf seem likely to keep prices low in order to dent further BPB's hold in the market. The second

wick.
Back in the real world, Ferranti's future is still deeply obscure and its share price becalmed Ferranti has hit on the simple device of making Coopers and Lybrand's report on the fraud available only to prospective buyers, who are thereby insiders and may not buy in the market. It is highly unlikely that anyone else would mount a raid in ignorance of the report's contents. Whether this cosy arrangement is in the best interests of Ferranti's long-suffering shareholders is an open question, which could usefully be raised at the AGM on December 20.

The rest of 1989, and proba-bly the first six months of 1990, look like being a dead period for the shares of the largest property investment companies, including MEPC. Respectable though the company's overall results were yesterday, with net assets per share up 21 per cent at £8.81, the mere 3 per cent value growth in its City of London office portfolio in 1988-9 was a graphic indicahas become.

If MRPC can find tenants at

ap to 218p yesterday, probably on bid hopes. Given the cur-rent uncertainties, a bidder would need to be a very cool poker player indeed.

£45 per square foot for the whole of its 400,000 square foot Alban Gate development, off London Wall, it will help stock the benefits.

The deliberate creation of overcapacity in the confident

market sentiment. The trouble is that the City expects MEPC's net assets per share only to reach some 925p by next sum-mer, representing growth of only 5 per cent. Since a drop in UK interest rates seems hardly imminent, it is hard to see any miniment, it is natural ways any compelling reason to buy MEPC's shares at this point, even on the 43 per cant discount to the prospective net asset value implied by last night's closing share price of Charte

None of that is a reflection on MEPC's management; and if one writes off 1989-90 as years one writes on 1969 as years the share price would rather forget, the figures make sense only as pointers to what will come later. This year, MEPC's shares have been outperforming both Land Securities' and, by a wide margin, those of Hammerson That looks justi-fied by yesterday's evidence of some particularly acute man-agement at MEPC. One striagement at MEPC. One striking point is the way it has used the swaps market to bring down its average cost of borrowing to 10.5 per cant, even though 84 per cent of its debt is unsecured. When stock market sentiment towards property does change, MEPC should get its reward.

#### Royal Bank

half may be marginally worse than the first, with overall profits down 28 per cent for the year at £145m; there could be a further fall in 1990/1. The 8p fall in Royal Bank of Scotland's shares yesterday might seem a grudging response to a 20 per cent rise in the annual dividend and a robust increase in bad debt A further imponderable is the new MMC investigation which BPB says it welcomes; but the outcome of such inquiries can often surprise the parties concerned. The shares rose to the state of the state of the shares rose to the state of the state of the shares rose to the state of the state of the shares rose to the state of the sta provisions. But the latter was perhaps part of the problem. The market is used to Third World debt write-downs, but has yet to brace itself to the full impact of LROs going wrong. The bulk of Royal's £600m or so of exposure will be eminently sensible deals arranged by Charterhouse; but Lowndes Queensway is in there as well, which can only be unsetfling.

be unsettling.

That apart, Royal still looks like one of the cheapest banks in the world in stock market terms. At yesterday's 177p the shares are at a discount to snares are at a discount to book value, a prospective yield of over 5 per cent and a multiple of under 6. The last in particular looks ludicrously at odds with the price being fetched by Morgan Grenfell. But then, there has not been a successful hostile hid for a UK. bank since 1969. Royal itself is among those to have seen off an unwanted predator. On more fundamental grounds the shares might be helped if Yorkshire Bank goes for a fancy multiple: always suppos-ing, of course, that Royal itself is not buying it.

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## Iraq after arrears concern

BRITAIN has sharply reduced

its annual line of credit for exports to Iraq to £250m (\$390m) for 1990 from this year's £340m, amid continuing concern about Iraqi repayment arrears on previous credits. Lord Trefgarne, UK Trade Minister, put a brave face on the matter when he announced the deal yesterday, saying that Iraq had made significant eco-

nomic progress since last year's ceaselire with Iran. The

latest medium-term facility, backed by the Export Credits

Guarantee Department, would

open up "new opportunities for British companies". Lord Trefgarne's meeting in London with Mr Mohammed Mchdi Saleh, his Iraqi counterpart, was overshadowed by a dispute over a London-based journalist and a British nurse jailed in Iraq on accusations of spying, and by the question of credit, from £272m in 1987 to She and Mr Farzad Bazoft, a journalist for the London newspaper, The Observer, were

arrears. At one point this year the backlog reached £100m. UK exports to Iraq have increased with the available C412m in 1988 and C383m in the first 10 months of 1989. British diplomats have attempted to keep their trading relationship with Baghdad separate from the issue of the prisoners, although sonior White-hall officials acknowledge that they are angered by Iraq's refusal to allow consular access to Mrs Daphne Parish. detained more than two months ago after he tried to investigate news of an explo-sion at a military factory in which hundreds of people were reportedly killed.

### UK cuts export credits to | Thatcher in row over Rover-BAe deal

By Our Industrial, Political and Foreign Staff

admit that it had made secret financial concessions to BAe. Mr Nicholas Ridley, Secretary of State for Trade and Industry, confirmed in the House of Commons damaging details of the BAe deal con-tained in a leaked confidential memorandum from the National Audit Office, the parliamentary watchdog.
The NAO disclosure that the
Department of Trade and industry had made concessions worth up to £38m (\$59m) to persuade BAe to go ahead with the deal appears certain to set the UK on a collision course with the Barrier of the UK on a collision course with the Barrier of the UK on a collision course with the Barrier of the UK on a collision course with the Barrier of the UK on a collision course with the Barrier of the UK on a collision course with the Barrier of the UK on a collision course with the Barrier of the UK on a collision course with the Barrier of the UK on a collision course with the Barrier of the UK on a collision course with the Barrier of the UK on a collision course with the Barrier of the UK on a collision course with the Barrier of the UK on a collision course with the UK on the U The Commission yesterday wrote to London demanding an

saga led to angry exchanges in the Commons between Mrs Margaret Thatcher, the Prime Minister, and Mr Neil Kinnock, the opposition Labour leader. Mr Kinnock accused the Prime Minister of seeking "to deceive Parliament," of being "less than honest with the European Commission," and of

would do "to get the British people's money back."

Amid rowdy scenes Mrs Thatcher said that the only "rip-off" had been the £3bn of taxpayers' money that had been poured into Rover to keep it affost since 1976.

which will be put to a meeting of the public accounts select committee on Monday, dis-closes that the Department of

■ allowed BAe to delay its £150m payment for Rover until the end of March 1990. The deal was agreed in August last year and it is understood that no payment has yet been made. The NAO valued this concession at £22m;
• paid BAe £9.5m towards its

 reimbursed a further £1.5m
 in costs accrued by Rover;
 agreed to pay BAe's £5m contribution towards the Euro-pean Space Agency Columbus programme.

If the Commission finds that

the money was not provided for in the complex arrang-ments agreed with the UK it could demand repayment. Strike lay-offs, Page 7

#### THE BRITISH Government was yesterday plunged into explanation. The latest twist in the Rover fresh controversy over its sale of the Rover Group to British Aerospace. It was forced to Trade and Industry:

with the European Commis-sion, which had previously forced the Government to reduce its planned cash injec-tion into Rover.

"selling short" the taxpayer.
He said the "whole affair was a rip-off" and demanded to know what the Prime Minister

it afloat since 1975.
The embarrassing leaked memorandum from the NAO,

buy-out of the minority Rover shareholders;

### Philosophical banker became a target

Continued from Page 1

Size itself was not Deutsche Bank's object. "Nothing we do is done out of ambition or an exaggerated self-understanding." The bank's aim was to be "among the leading group of internationally active banks doing business around the globe and around the clock." Mr Herrhausen, a former

of VEW, the Ruhr utility. Born in Essen in 1930, he retained a deep concern for the area and was active in promoting its industrial restructuring. "When I joined in 1970, we were a Deutsche Bank doing international business from a German base," he said. It had no branches outside West Ger-

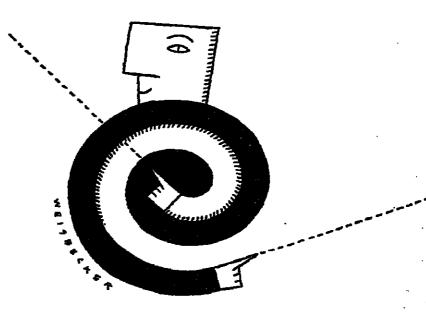
many then. Now, it has more The intended acquisition of Morgan Grenfell was the latest and biggest step in a process

which had strengthened the bank's presence in Italy, Spain, and other European countries, as well as in the Americas and the Far East. It is represented in the Soviet Union, Hungary, and Poland, and was considering how to reassert itself in East Germany now the borders have

His death removes a provoc ative figure from public and business life.

### BANK ON A BANK WITH MOBILITY.

To grasp a chance or to wait for a better opportunity, to move or to stay. Whatever your situation, our experienced personnel means we can make an appropriate recommendation quickly. This has helped us grow to one of the ten largest banks in West Germany with a balance sheet total of over DM 106 billion. So if you're looking for an international business partner, bank on our mobility.





**WORLD WEATHER** 



### **FINANCIAL TIMES** COMPANIES & MARKETS

Friday December 1 1989

Scandinavian Bank set to go private

Scandinavian Investments' move was not anticipated, though SBG's performance has been disappointing since its flota-

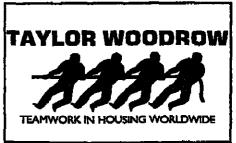
One City analyst sald yester-day that SBG had been a case of a merchant benk which had been

floated too early for its own

yesterday as part of a response by the shareholder banks in Scandinavia to the deregulation

of their local financial markets

SBG described the delisting



INSIDE

#### **Europeans look** across the Channel

The ease with which Australian Mutual Provident took over Pearl Group has underlined as naver before the vulnerability of UK composite and life companies compared with the rest of Europe. As the major European insurance companies look beyond their own frontiers in the lead-up to 1992, the UK companies are the most obvious target, indeed, within 24 hours of AMP's victory the signs were ominous, as Generali of Italy bought into Guardian Royal Exchange and Athena of France raised its stake in Refuge Group. Patrick Cockburn considers whether there is now an open season in the British insurance industry. Page 28

Ploughing a lonely furrow



WITE

if Colin Moyle (left) were Farm Minister of just about any European Community country, he would coupliess be impaled on the end of a pitch ferk. As Minister of Agriculture and Fisheries in New Zealand since 1984, he has been responsible for a programme of subsidy dis-

far-reaching that he was able to tell an audience in Brussels last week: "New Zealand's agriculture industry is now almost entirely market-driven." Tim Dickson talks to the man who insists that farmers everywhere can be persuaded that protection is against their inter-

North-south split in the East

South-east Asia's stock markets are in a period of transition. The cause is a north-south divide in which productive capacity is moving to the south of the region as wealth and strong currencies are concentrated in the north. William Contracts Page 18 liam Cechrane reports. Page 42

Light at the end of the pipe



Transco Energy has been through some rough times, it suffered three years of losses and nearly 10 wading

ulatory Commission as it moved to bring an open access carrier system to the gas trans-mission industry. The chaos helped bring Transco near to bankruptcy. "Here is one companthat is lucky to be alive to tell about it," says that is lucky to be alive to tell about it," says
Mr George Siccum, Transco's chief executive.
Yet now that gas transmission is deregulated.
his is optimistic about the company's prospects
as US consumption grows by about three to
four per cent revers he "granatees" that
Transco will reaks a profit this year, Page 16

Esopsi much more than fables When Chevron announced on Monday that it

would put about 5 per cent of its shares into ar employee stock ownership plan, it was follow-ing in a long-line of US corporate glants which have turned to Esops more than 30 years after their introduction. The move is not because companies auddenly wish to give their employ-ses more — it is also because they have just woken up to Esops' usefulness in discouraging corporate raiders and Wall Street arbitrageurs. And, contrary to widespread expectations, the politicians did not act against. Esops in last, week's Budget Bill. So, writes Anatole Kalet-

week a nemployee-ownership bandwagon is set to continue to the across America's industrial heartland. Page 20.

Market Statistics

Benchmerk Govt boods European options with Foreign exchanges London recook seem

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Penny & Giles
Plysu
Royal Bk of Scotland
Scapa Group
Spectrum
Stocklard Selvers Transco Energy

Chief price changes yesterday

Salah Salah Series Seri Recovered Report II I

West Germany. Apart from putting the Rous-sel-Uclaf stake in industrially relevant hands, this would give the state an opportunity to inject more capital into Rhone-Poulenc, in need of cash after the \$1.3bn (1883m) takeovers of RTZ Chemicals and GAF-SSC of the US. The umpire in this spectacular game

consultancy to Cap Gemini

after making provisions of £15.6m against losses on sovereign debt

and swaps contracts with local

authorities in the UK.

It said that its losses on swaps

contracts could run as high as

£9m, though the group would pursue every means of recover-ing the amounts due to it.

225p a share in cash through Scandinavian Investments for the 35.4 per cent of the bank that they do not own. The offer gives minority shareholders a hand-

some premium, pitched at 69 per cent above Scandinavian Bank's

closing middle market price of

Saatchi in move to sell US

The parent banks are offering

service companies. It refused to comment yesterday, as did Saatchi has been struggling to sell its consultancies since it put them up for sale in June. It is believed to be keen to clinch the Gartner deal to offset the impact of its preliminary results when they are published on Wednes-

day.

The group is expected to amounce a sharp decline in pre-tax profits from £138m (\$218m) to less than £60m for the year to September 30. Analysts think it o conclude the deal without the nanagement's consent.

Gartner specialises in comparation control of the special speci

puter industry research from Stamford, Connecticut. It was sold to Saatchi for \$76m last year. Cap Gemini has grown rapidly by buying several small computer with bid rumours, fell by 11p to 284p in London yesterday.

with tid runours, fell by lip to 284p in London yesterday.

Mr Maurice Saatchi, the chairman, who founded the group with his brother Charles, recently relinquished his role as chief executive in favour of Mr Robert Louis-Dreyfus. But Mr Louis-Dreyfus, but Mr Louis-Dreyfus, but Mr Louis-Dreyfus has told New York analysts that he has not yet signed a contract with Saatchi. Saatchi needs to sell its consul-tancy division to reduce borrowings. So far it has only sold two

small companies. Some prospective purchasers have been deterred by the risk that the refuse to co-operate, after the sale.

'dumping' by rival BPB INDUSTRIES, Europe's biggest plasterboard manufac-turer, is considering asking the European Commission to investi-

gate allegations that Redland, one of its two main UK competitors, has been dumping imported plasterboard into Britain.

For most of the past 20 years
BPB has been the sole British plasterboard manufacturer. But two years ago Redland, the UK building materials company, formed a joint venture with CSR, an Australian building materials

mation of the single European

SBG was launched in March

1967 with shares denominated in special multi-currency units. It

currently has a balance sheet of

over \$3bn.
The group employs 1,240 staff worldwide and has offices in Lon-

don, New York, Geneva, Hong

Kong, Sydney, Milan and Sao

Scandinavian Investments is owned by SBG's main sharehold-

ers: Bergen Bank, Union Bank of Finland, Skandinaviska Enskilda

Banken, Privathanken and Landsbanki Islands

UK plasterboard maker

may seek EC probe of

market in 1992.

group, to supply plasterboard to the UK.
BPB, which yesterday announced a 28 per cent fall in pre-tax profits to £74.6m (\$116.4m) during the six months to the end of September, wants the Commis-

sion to investigate imports of plasterboard from Scandinavia and Spain made by Redland and and Spain made by Redland and CSR during the past 18 months.
Plasterboard prices in Britain have fallen by about 10 per cent during the past year as a result of increased competition from Redland and Knauf, the largest West German plasterboard manufacturer. Redland and Knauf have this year both opened UK plasterboard manufacturing plants.

fallen by more than 30 per cent since 1987 and in France, where

10th. The British group is the largest plasterboard supplier in France, Italy, Sweden, Austria and the Netherlands and the second largest producer in West Germany

and Norway.

Mr Alan Turner, BPB chairman, said profits from continen-tal operations fell by 40 per cent, even though sales volume was higher than in the first half of

Reduction in board prices 1987-9

The three independent directors of SBG, headed by Mr Gar-rett Bouton, chief executive, and Mr Niel Daubeny, group finance director, yesterday unanimously

recommended shareholders to

accept the offer, which gives the group a market value of about

Mr Bouton said that the bank's

Scandinavian shareholders had

decided they wanted SBG to shift to a more flexible and personal-ised service directly for them.

with more emphasis on its international merchant bank-

ing and capital markets skills.

-20 -15 W. Netha. France

previous year. This was due to lower selling prices, rationalisa-tion costs and capital investment

in new plants.

BPB's sales of plasterboard in the UK had been hit by the high interest rates that had reduced spending on housebuilding and on residential repair, maintenance and improvement work.

The group said sales had fallen
by about 20 per cent from the
peak at the beginning of this

Mr Turner said: "Sales volume in the western European market is expected to double during the

Group turnover during the first half rose by 5 per cent to £508.5m. Earnings per share, however, interim dividend was increased from 3.75 to 4p.

Sir Gordon Borrie, Director General of Fair Trading, this week called for an investigation of the UK plasterboard market by the Monopolies and Mergers Commission after BPB asked to be released from undertakings on pricing policies made to the com-mission in 1977.

#### Nestlé links with General Mills to take on Kellogg cereals

By William Dullforce in Geneva

NESTLE, the Swiss foods group, and General Mills of the US are

linking to attack the world mar-ket for breakfast cereals, domi-nated by the American group Kellogg. Initially the two new challengers will concentrate on Europe. There the partners expect the ready-to-eat cereal market, at

ready-to-eat cereal market, at present worth \$1.6bn in yearly sales, to quadruple by the year 2000 to around \$6.5bn, the current size of the US market.

Nestlé, with worldwide sales approaching SF750bn (\$31bn) is much the bigger of the partners, but in breakfast cereals its sales are probably less than SF7100m. In contrast, more than 90 per cent of General Mills' projected 1989 sales — \$6bn — are generated by food businesses and restaurants in North America.

taurants in North America. Yesterday the two signed a joint letter of intent to create the 50-50 joint venture. Nestlé said the size of the investment had not yet been determined.

The companies said that, by combining General Mills' cereal expertise and technology with Nestle's local marketing exper-tise and sales distribution, they would be able to become a com-

at lower cost.

The Swiss company's production facilities in Europe will be used initially, but Nestlé is not excluding the establishment of

The agreement is described as "strategic alliance" and covers all markets with the exception of the US and Canada, where General Mills, with a 25 per cent share, is second to Kellogg.

Under a long-term mutual standstill agreement, neither party will seek control of the other. The Nestle name will appear on all products, with General Mills or Nestle brand names identifying individual items. General Mills' best known cereals product is Big G. Bank Vontobel, Zurich, which follows food stocks closely, said it had been known that Nestle

wanted to expand in breakfast

Quaker Oats and Kellogg had dates but the Nestlé management preferred friendly takeovers, and Quaker Oats was probably too expensive. The joint venture was "a very interesting alternative strategy." It would not be easy to break into a competitive Euro-pean market, but Nestlé had financial resources and market-ing skills to complement General Mills' product expertise, said the

## France rewrites its chemical equation

William Dawkins on plans to reorganise the industry

f proof were needed that central industrial planning is still alive in modern France, still alive in modern France, ter, whose simple sim is to create the logic of the split would be ed look no further than the long-awaited reorganisation of the state-owned chemicals industry, now being given its finishing

• FINANCIAL TIMES 1989

THE PARENTS of Scandinavian Rank Group, the 15th largest UK bank by asset size, yesterday sur-prised the London market by making a cash offer to convert it into a privately-owned

it into a privately-owned

The move comes less than

Last year SBG earned pre-tax

profits of £23.6m (\$37m), but recently its performance has

been disappointing.
The board warned yesterday that the bank expected to make a

loss of £2.6m in the current year.

By Alice Rawsthorn in London

SAATCHI & Sastchi, the troubled

SAATCHI & Sastem, the trouned communications group, is believed to be negotiating the sale of Gartner Group, one of its larger US consultancy companies, to Cap Gemini Sogeti, the French computer services com-

pany, for shoun.

CGS is thought to have agreed
the basis of a deal whereby it
would buy the business, initially
in association with the Gartner
managers, and would then buy
hash their shouse in a series of

back their shares in a series of

performance related payments.

The Gartner management team

is said to prefer to stage its own

buy-out and is reluctant to agree to CGS's proposals. The French

group is thought to be unwilling

to conclude the deal without the

management's consent.

three years after the bank was floated on the London Stock

The official aim of the reshuffle, the first for six years, is to make the main players in the state-owned chemicals sector less fragmented and to give them the muscle to compete in world markets. A carve-up on this scale could never have occurred if the companies were in private hands, a telling illustration of the sheer power of French industrial policy-making as well as the stric-tures imposed by the refusal of Mr François Mitterrand, the President, to countenance any change between the balance of state and private ownership in the public

Power struggles between the two most ambitious barons in the French chemical industry have meanwhile coloured – critics say distorted – the industrial logic. The result of the deal will

change the face of a domestic chemicals industry dominated by the state sector. Governmentowned or controlled companies produce 54 per cent of France's FFr317bn (£33bn) annual chemi-cals output, while most of the rest - another 40 per cent comes from foreign-owned com-panies, according to Bulletin de l'Industrie Pétrolière. The general shape of the new

structure, broadly agreed by the industry Ministry and the compa-nies involved, but awaiting agreement on important details, looks brutally simple. Barring any last-minute changes, it will reduce the core of the state chemicals portfolio from five groups to

three or four. Orkem, which makes bulk chemicals, fertilisers, inks and adhesives, and is widely accepted as having put in the most remarkable profits revival seen in the state chemicals sector in recent years, would be dishanded and split between the chemicals subsidiaries of the two state-controlled oil groups, Elf-Aquitaine and the smaller Total-CFP. Elf would also get Entreprise Min-ière et Chimique (EMC), an agrochemicals group.

Separately, state-controlled Rhône-Poulenc would get the Government's 40 per cent direct shareholding in Roussel-Uclaf, France's second largest pharmaceuticals company, the rest of which is owned by Hoechst of

werful force in chemicals right in the mainstream of the traditional French fondness for

building industrial champions. But the really hard talking is between Mr Serge Tchuruk, the tough chairman of Orkem who is about to take over from gentler management at the head of Total, and Mr Loik Le Floch-Prigent, who recently became chairman of

Main companies. in the restructuring

Orkom 1968 sales: FFr21.8bn of which: FFr12.8bn Petrochemicals and chemicals ,FFr8.6bn Fertilisers, FFr1,05bn Paints, FFr1,35bn others

Entreprise Minfere et Chemique 1988 sales: FFr16bn of which: FFr4.35bn Potash, mining and marketing, FFr5.8 Chemicals,

FFr5.2bn Animal feed, FFr0.6bn

Elf-Aquitaine 1988 chemicals-related sales: FFr48bn (out of group total of FFr128bn) of which: FFr28bn plastics and speciality chemical FFr14.6bn SANOFI, human heeth, biotechnology and besuty products, FFr3.5bn TEXAS GULF

(US), fertilisers FFr2.3bn M&T (US), fine chemicals Total-CFP

1986 chemicals-related sales FFr5.8bn (out of group turnover of FFr83.3bn of which: FFr0.8bn TOTAL CHIMIE, aromatics & petrochemical marketing. FFr4\_99bn HUTCHINSON,

Rhône-Poulenc 1968 sales: FFr65.3bn of which: FFr28,7bn Chemicals, FFr9,8bn Fibres, FFr15,5on Heelth, FFr9.6bn Agrochemicals, FFr1.6bn

Elf. Before then, Mr Le Floch-Prigent was writing for Mr Fauroux the very report on which this attempt to beef up the industry is

based.

This is not the first time the two chemicals chiefs have done business together, for Mr Tchuruk used to be number two at Rhone-Poulenc, under Mr Le Floch-Prigent, before taking over at Orkem. Accordingly, some observers feel it would be hardly surpris-

ingly if a hint of rivalry came into their negotiations. Indeed, Mr Tchuruk was originally thought to have been hoping to carry off the whole of Orkem to Total, without having to carry out what is proving to be

to hand over Orkem's petroch icals and fertiliser divisions, which account for the slowest growing two thirds of its FFr21.5bn annual sales, to Elf. This would fit in neatly with the petrochemicals activities of Elf's main chemicals subsidiary, Atochem, as well as with the newly arrived EMC, which is France's largest supplier of potash, a raw material in making fertiliser.

The result would be to lift Elf's combined chemicals activities, of which Atochem is the biggest chunk, from 14th to somewhere near 10th in the world chemicals league, say analysts.

The remaining - and most attractive - third of the Orkem cake, including specialty chemicals, inks, paints and adhesives, recently strengthened by the acquisitions of Coates of the UK and US-owned Bostik, would considerably boost the importance of Total's specialty chemicals divi-sion. This is something it has long sought, even to the extent of considering a bid in 1986 for con-trol of Rhone-Poulenc, as a way of adding a diversification to the cyclical oil business.

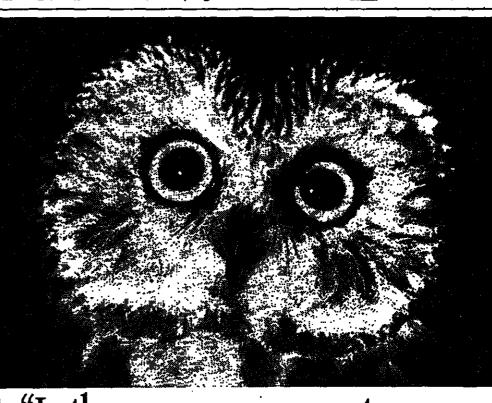
There are, however, a few wob-bles in the pattern. For one thing, Atochem already makes paints and adhesives, which would now compete, perhaps needlessly, against similar Orkem products under Total's ownership.

For another thing, Orkem's petrochemicals and specialty chemicals businesses are inter twined in one division. Norsolor and it is proving extremely complicated to find a practical way of separating them, admit officials. This appears to be the main detail standing in the way of a final accord.

To complicate matters further Norsolor itself is only 80 per cent owned by Orkem, the rest belong-ing to British institutions and the Qatar Government.

All this is a sad irony for Orkem's middle management, which feels justly proud of hav-ing turned the group round under Mr Tchuruk's strong hand, from FFr2.6bn of losses in 1987 to FFr3bn of profits last year. Thanks to a painful restructuring and astute diversifications into specialty products, Orkem is now barely recognisable from the ragbag of unwanted bulk chemicals businesses left over from the last reorganisation of the public sector chemicals industry in 1983.

Orkem's managers will not block the deal, but they do not have much enthusiasm for it. As one executive told a French business magazine: "Several years ago, people here would have welcomed an entry into Elf Aqui-taine. Today, they prefer to fight under their own colours."



# "Is there anyone smarter than me?"

The owl symbolises the wisdom of nature. In the same way, our 4M DRAM, the world's most powerful semiconductor, represents one of the most sophisticated examples of intelligent, high tech products. This small chip is powerful enough to contain the entire text of 16 newspaper pages.

But power alone isn't enough. There is a need to use technology like our super LSI wisely. Only then can we help create better living. From semiconductors to medical and office equipment, Toshiba is the world's leading electronics maker, which makes us something of a rare bird.



In Touch with Tomorrow TOSHIBA

#### INTERNATIONAL COMPANIES AND FINANCE

### Transco Energy steps on the profits gas

Steven Butler on how deregulation restored the fortunes of the US pipeline group

ransco Energy, the US gas transmission com-pany which handles one tenth of US gas supplies, is going to make a profit this year. "I guarantee it," says Mr George Slocum, the group's chief executive.

After three years of losses, and nearly a decade of wading through a regulatory swamp while fighting off the danger of bankruptcy. Mr Slocum is upbeat about the future of natural gas and the money his company can make buying and selling it and shipping it around the US for others.

Transco owns and operates the 10,000-mile Transcontinen-tal Gas Pipe Line system, which runs from from Texas to New York, and recently expanded its network with the \$571m purchase of Texas Gas, which gives it a 6.000-mile pipeline system from Louisiana to the Mid-West states.

US gas consumption is grow ing by 3 to 4 per cent a year, the US economy is expanding, houses and commercial premises are continuing to convert to gas, and gas as a boiler fuel is cheaper than oil, increasing its attractions as an industrial fuel while it has received the blessing of environmental

Yet the most important change in the landscape for Transco and other gas transmission companies is that the regulatory chaos caused by a series of changes introduced by the US Federal Energy Regula-tory Commission (Ferc) over the past decade has been put behind.

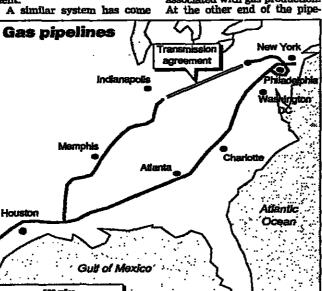
"Here is one company that is lucky to be alive to tell about it," says Mr Slocum. In the past decade the US has moved to institute an open access carrier system, which

allows local distribution companies to contract for gas directly with producers and pay the interstate pipelines a fee for transmission. It is an experience that should be instructive to Europe, even though the mar-ket structures are different, because the European Commis-sion has drafted regulations

which could lead to an open access system on the Conti-

These are the local state monopolies that take their gas from delivery points on the large diameter pipelines that traverse the Continent.
Prior to this change, pipelines bought gas from produc-ers on a long-term take-or-pay basis. This meant that produc-

ers would be paid whether or not the pipeline took the gas, thus providing security for the large capital development costs associated with gas production. At the other end of the pipe-



into effect in Britain, where competition against British Gas is on the horizon in the industrial market.

As Mr Slocum tells it, when the US Government decided it wanted a freer gas market, it moved to deregulate the side that had the most votes - the

line, the pipeline companies had a captive, although regu-lated, market, so they could be sure of finding a sales outlet for the gas. in effect, this sys-tem spread the risks involved in the gas industry among different sectors of the market although it obviously stifled

industry. When the local distribution companies were deregu-lated, and allowed to purchase gas directly from producers at a cheaper price, the pipeline companies were thrown into crisis because they lost their secure market but were none

the less required to pay bil-lions of dollars to producers. They were stuck with pur-chase obligations for high-price gas that were signed in the late 1970s when gas prices soared in response to a shortage, but then saw the ground slip from beneath them when spot market prices collapsed amid a growing surplus of supply—
the so-called gas bubble which
most industry observers
believe is deflating rapidly.
The result was a field day for
lawyers as pipelines tried to
wriggle out of their contracts
with producers, while the pro-

ducers tried, often in vain, to recapture their capital expenses by having the contracts enforced

Enter the Ferc, which set up rules governing negotiated set-tlements between pipelines and the producers, and then set up mechanisms through which the pipelines could recover some of their costs from their customers once they declared themselves an open-access carrier, willing to transport gas for all and sundry. The original idea of a shared risk was thus translated into a

shared loss . . millions of dol-lars in legal fees later and some tarnish on the idea of inviolability of contracts.

Yet now, after a decade of turmoil during which the business was stood on its head, Mr Slocum believes Transco is in

position to see its profits grow again in a new regulatory envi-ronment that has largely seta wholesaler of gas carried on its pipelines. Transco is now transporting mainly gas for other merchants, although it hopes to raise its own sales volumes so that they will account for 50 per cent of total

It is now trying to put in place long-term sales and pur-chase contracts which involve not take-or-pay clauses, but right to purchase and stand-by fees on the part of both the local distribution companies and the pipeline companies (called gas inventory charges) which provide a modicum of security for the producer. The contracts also have periodic price reopeners and are thus

market responsive.
Mr Slocum believes these structures of contracts are sufficient to encourage the investments needed for large-scale gas production projects to go

To take advantage of the emerging environment, last year Transco bought Texas Gas, whose pipeline brought Transco for the first time to markets in the Mid-West while improving its ability to supply the north-east states through connecting pipelines, thus increasing utilisation and efficiency of all pipelines involved. The Texas Gas pipeline also traverses gas producing areas of Louisiana and Arkansas and an agreement reached recently with Arkla, the pipeline com-pany, has expanded its supply egion as far as Oklahoma and

spending programme of \$1bn in the next three years aimed at expanding its gathering network and increasing the capacity of its transmission system. This is all aimed at keeping



profits this year

as a growing market for gas in the US. The competitive edge of a pipeline company, Mr Slo-cum says, is insured by securbeing an expanding supply and being able to manage the pipe-line system efficiently in order to be able to deliver at a competitive price.

petitive price.

There are none the less some concerns on the horizon, the biggest of which is a potential gas supply problem that could be caused by a prolonged weakness in oil prices. Gas prices, Mr Slocum says, would have to rise above \$3 per thousand cubic feet from current levels below \$2 in order to provide the sort of incentive to supply what he believes will be the market by the late 1990s. And that depends oil prices going un enough to allow gas going up enough to allow gas prices to rise without becoming uncompetitive against oil, although this result could also be accomplished should the Government intervene to encourage gas consumption because of its clean burning

Mr Slocum is enthusiastic about the prospects of compet-ing in the US gas market under an open access system. But he does have a word of advice for Europe: "Whatever you do. I hope you don't go about it the

## Fougerolle launches \$590m manager buy-out

FOUGEROLLE, the French construction company, yester-day launched the country's day launched the country's second largest management buy-out, valued at FF13.6bn (\$590m), to block an unwelcome takeover approach from one of its own shareholders.

The deal, which is the largest French buy-out since last May's FF17bn acquisition of Darty, the electrical retailer, comes only a day after Fougerolle, which is active in France, Spain and Italy, enlarged its

Spain and Haly, enlarged its European coverage by taking a 40 per cent stake in Delens, a Belgian construction company.
The buy-out was triggered by the failure of attempts by Compagnie Genérale des Raux, the leading French water and services group, to persuade Fougerolle to merge with its own construction subsidiary,

Société Générale d'Entrepris The water group owns 33.2 per cent of Fougerolle's capital, the largest shareholder after

Paribas, which has a 38.5 per cent stake. Both Paribas and Total, the French oil company, Total, the French cal campany, owner of another 10.5 per cent, are backing the takeover, which would leave them with a small majorify holding.

Mr Jean-Francois Hoverage, chairman of Fougarolle and the architect of its recovery, saliva merger with SGE would have generated more-complications.

merger with SCE "would have generated more complications than profits." The buying 3s taking place under reason laws as a RES, designated encourage maximum ownership by Fougerolle's likeloostaff.

statt.
The financing to the arranged by Paribas, includes a FF600m equity component of which Mr. Roverato said FFr200m would come Fougerolle's staff, with help of a company

Fougerolle expects pres rise from FFr200m ne FFr300m this year on turi

#### Mannesman to acquire control of tanks maker

By Our Financial Staff

MANNESMANN, the West German engineering group which has a 5 per cent share-holding in TI Group of the UK, announced plans yesterday to buy a majority stake in Krauss-Maffel, the German armaments group best known for its range of tanks.

Mannesmann, which has been negotiating with Maffei for some months and which raised DM580m (\$326m) via a rights isue in October, said contracts would be signed in the next few weeks pro-vided that there were no objec-

The company did not give the price Mannesmann would pay for the Maffei stake or the exact amount of shares it planned to buy.

This week speculation over an imminent deal between Mannesmann and Maffel hardened when Maffel's biggest shareholder, the Bavarian state government with a 35 per cent shareholding, said it was ready

to sell to Mannesmann.

The Bavarian state government also said that Deutsche ment also said that Deutsche Bank and Dresdner Bank, which each own 10 per cent of the armaments group, were also ready to sell their Maffei stakes. Changes in the ownership of Maffei became ascessary following the Bonn Government's approval of the takeover of aerospace group Messerschmitt Bolkow-Biolam (MBB) by Daimler Benz.

A condition of the Deimler takeover of MBB was that the aerospace company dispose of

acrospace company dispose of its 12.5 per cent shareholding in Maffel. The MRB stake in Maffel is to be acquired by ments company.

Krauss-Maffei is best known for its Leopard tank. It also but also has interests in locomo-tive manufacturing.

### Italian activities

### Bayer combines | Stora buys 75% of Danish fine paper group for DKr510m

By John Burton in Stockholm

BAYER, the West German chemicals group, plans to invest L200bn (\$152m) to con-solidate its activities in Italy STORA, the Swedish paper, packaging and building materials group, is to buy the outstanding 75 per cent of De forenede Patirfadrikker (DfP), the Danish inc paper group, for into a single Milan-based business complex, Reuter reports. It intends to spend the money to bring Bayer Italia, Agfa-Ge-vaert, Miles Italiana, Techni-con Italiana and Bayropharm DKr510m (\$70m). The deal is being transacted through Papyrus, Stora's fine Italians together in a \$5,000 sq paper unit. It will give Papym complex acquired recently.

plants in Sweden and one in the US, a production footbold in the EC, Stora said. Papyrus is buying the DfP stake from Danisco, the Danish farmers' co-operative. It estimates that the acquisition will boost its turnover to SKr8bn (\$1.25bn) next year, while

increasing its workforce to

Sony Euro-Finance B.V.

U.S.\$200,000,000

Euro-Commercial Paper Programme

Rating

STANDARD & POOR'S CORPORATION A-1+

Dealers

J.P. Morgan Securities Ltd.

CREDIT SUISSE FIRST BOSTON LIMITED

Mitsui Finance International Limited

NATWEST CAPITAL MARKETS LIMITED

Issuing and Paying Agent

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

The DfP Group produces mainly coated fine papers at three plants in Denmark with an annual output of 150,000 tonnes. It has a turnover of around DKr2bn.

Papyrus explained that the acquisition was part of the con-solidation in the industry in anticipation of the EC internal

The DfP acquisition includes two Danish paper merchants and affiliated merchants in Norway and the UK. This will improve Papyrus's distribution network in Europe, which is regarded as weak by analysts. At the same time, Danisco is itself making a number of acquisitions, it is to pay FBD, the Danish co-operative whole-

sale/supermarket group, DKr265m for spirits producer Svendborg Fabrikker and wine importer Irma Vin. It will also buy FDB's frozen food produc-ing unit Nyborg Lymfost. The takeover of Nyborg will add 25,000 tonnes a year of fro-zen food output to Danisco's current output of 10,000 tonnes, Danisco said.



#### METALLGESELLSCHAFT

FRANKFURT AM MAIN

#### Offer to Subscribe New Shares resulting from the 1989 Capital Increase

German security code no. 660 200

According to the authorization of § 4 Sec. 6 of the Articles of Association the Board of Managing Directors of our company has, with the approval of the Super-visory Board, resolved to increase the share capital of DM 320,000,000 by DM 60,000,000 to DM 380,000,000 by issuing 1,200,000 new shares made out to bearer, each new share being of DM 50 nominal value and carrying full dividend rights for the 1989/90 Fiscal Year. The issue price has been fixed at DM 325 for each share of DM 50 nominal value. A banking syndicate under the joint leadership of Dresdner Bank AG and Deutsche Bank AG has subscribed the new shares subject to the proviso that the shareholders be offered these new shares for subscription at a ratio of 3 for 16 in accordance with the terms

Following the entry of the capital increase in the Trade Register, we hereby request our shareholders to exercise their right to subscribe new shares in order to avoid lapse of such rights

between December 8 and December 22, 1989 (inclu-

at any office of the following banks or their subsidizries during customary office hours:

Aktiengesellschaft Dresdner Bank Berlin Aktiengesellschaft Baden-Württembergische Bank

Aktiengesellschaft Degussa Bank GmbH Georg Hauck & Sohn Bankiers Kommanditgesellschaft

B. Metzler seel. Sohn & Co. Kommanditgeselischaft

Aktiengesellschaft Deutsche Bank Berlin Aktiengesellschaft Berliner Handelsund Frankfurter Bank

Delbrück & Co. Merck, Finck & Co.

Sal. Oppenheim jr. & Cie. auf Aktien

Dresdner Bank

The dividend coupon no. 55 of the old share certifi-cates serves as evidence of entitlement to the subscription rights. In accordance with the subscription ratio of 3 for 16 three new shares may be subscribed at an issue price of DM 325 - free of stock transfer tax - for every sixteen shares of DM 50 nominal value against presenration of the aforesaid dividend coupon.

The subscription rights and parts of it will be traded and officially quoted from December 8 until December 20, 1989 (inclusive) on the stock exchanges in Frankfurt am Main, Berlin, Düsseldorf, Hamburg and Munich. The subscription agents are prepared to arrange as far as possible for the purchase and sale of subscription rights on such stock exchanges.

As from the beginning of the subscription period, the old shares will be traded and officially quoted fex

The transfer of the state of th

The issue price has to be paid when exercise of the subscription right is registered, on the last day of the subscription period at the latest.

Normal banking commission will be charged for sub-scription, unless the subscription right is exercised by the subscriber against surrender of the dividend coupon no. 55 during customary office hours at the counter of one of the subscription agents' offices and no additional correspondence is connected therewith.

The new shares (security code no. 660 201) shall be made available to the shareholders under a collective security account on the basis of a global share certificate lodged with Frankfurter Kassenverein AG. At present no arrangements have been made to have new share certificates printed. Share certificates with dividend coupons no. 57-70 and renewal talon shall be made available following the Annual General Meeting to be held in May 1990 (after payment of the dividend for the 1988/89 Fiscal Year against presentation of dividend coupon no. 56) upon request. Claims for the delivery of individual certificates cannot be asserted prior to that date.

Application has been made to the stock exchanges in Frankfurt am Main, Berlin, Düsseldorf, Hamburg and Munich for admission to trading and official quotation of the new shares. Trading and official quotation of the new shares is envisaged to commence in due course after the end of the subscription period.

Information for the holders of the warrants attached to the 21/4 % DM bond issue of 1986/1996 and the 612 % DM bond issue of 1987/1997 of Metalligesellischaft Finance B.V., Rotterdam:

The holders of the warrants attached to the 23/4 % DM bond issue of 1986/1996 and the 6½ % DM bond issue of 1987/1997 of Meraligeselischaft Finance B.V. Rouerdam, have not been granted a subscription rights corresponding to that of the shareholders. According to the Conditions of Warrants the prices for the exercise of rights to subscribe shares of Metaligesellschaft AG shall be reduced by an amount equal to the average price on all trading days at the Frankfurt Stock Exchange of the subscription right granted to the shareholders. The reduced subscription prices shall apply from December 27, 1989.

Frankfurt am Main, December 1989

METALLGESELLSCHAFT

The Board of Managing Directors

in, or to nationals or residents of the United States. This announcement appears us a matter of record only:

These securities are not registered under the Securities Act of 1933 and may not be offered, sold or delicered

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The state of the s

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WE KNOW OF

11,218 PEOPLE IN THE UK

WHO HAVE BEEN

INFECTED WITH THE VIRUS

THAT LEADS TO AIDS.

IT'S THE NUMBER
WE DON'T KNOW OF
THAT'S EVEN
MORE WORRYING.

At the moment it's impossible to say how many people have HIV, the virus that leads to AIDS.

This is because a person can have HIV for many years without any symptoms of the infection.

So if they don't know they have it, how can anyone else?

Each year more people unknowingly become infected.

Which is why the number of people with HIV and

AIDS continues to grow.

Not just here but throughout the world.

World AIDS Day on December 1st reminds us of the scale of the problem.

If we all act now we can help to slow down the spread of HIV.

FOR MORE INFORMATION OR CONFIDENTIAL ADVICE ABOUT AIDS, FREEPHONE THE 24-HOUR NATIONAL AIDS HELPLINE ON 0800 567 123.

Source: CDSC UK reported cases October 1981

#### INTERNATIONAL COMPANIES AND FINANCE

### INTERIM REVIEW **ENSO-GUTZEIT OY**

January-August 1989

Operating margin Depreciation acco Financial income :

Group financial results, Fift mills

Finalsh Accounting Standards 1989

according to plan was and expenses

1.1,-31.8. 1.1,-\$1.8. 1.1,-31.12.

Market and net sales

The prolonged upswing on the market for forest industry products is now coming to an end. Ne theless, supply and demand were fairly well bal-anced and there was no significant build-up of unsold product stocks during the review period. Mar-kets were stronger for some products than others. Prices are steady and higher than a year ago. However, export sales proceeds in Finnish marks suffered as a result of the revaluation of the mark in March 1989.

FIM 6 941 million, up FIM 721 million, or 12%, on the same period last year. Major contributions to this figure were made by fine papers, food and liquid packaging boards, and the prefabricated house business, which was given subsidiary status at the beginning of this year.

#### financial result

The Group's profit after financing items was FIM 615 million, up FiM 181 million on last year's corresponding figure. The improvement can be at-tributed to the higher operating margin and to ex-change gains of FIM 76 million on foreign loans caused by the revaluation of the mark and entered on the books during the period.

The result for the first eight months includes a profit of FIM 28 million from exceptional sales of ssets, leaving a pretax profit before adjustments of FIM 643 million. The corresponding figure test year was FIM 602 million, including a profit of FIM 168 million in exceptional sales of assets.



Earnings per share, Fills

Ento-Gusta Oyer pales, FB Pulp and Board Olvision Fine Paper Division Publication Peper Division Periodocade and Converter, Products Division Lamination Periodocades 7548 565 277 363 178 407\*) 692 –270 Parent company total

6941

")Figures for perent company's House Division in 1985

6220

Copies of the full text of the Interim Review are available in the UK on request from: Gota Securities Ltd., Corporate Finance, Kansaliis House, 80 Bishopagete, London EC2N 4AU.

PWA CORPORATION

(formerly Pacific Western Airlines Corporation) NOTICE OF ADJOURNMENT OF MEETING OF HOLDERS OF

7 5/8% Convertible Subordinated Dehentures

1989 at 10:00 o'clock in the forenoon (Calgary time) has been adjourned to Friday, the 15th of December, 1989

at the Delta Bow Valley Inn, Salon A, 209 - 4th Avenue S.E., Calgary, Alberta at the same time.

the Corporation and Montreal Trust Company of Canada (the "Trustee"), as Trustee.

and if thought fit, approving an extraordinary resolution (the "Extraordinary Resolution"):

the fifth trading day before the maturity date; and

quorum for the transaction of the business contemplated by this Notice.

Agent Bank:

DATED at Caigary, Alberta, December 1, 1989.

BRADFORD & BINGLEY BUILDING SOCIETY

Floating Rate Notes Due 1994

In accordance with the terms and con-datage of the Notes, notice in hereby swen that for the three months inter-cal Peraul from (and melading) 30th November, 1969 to that excluding) 28th February, 1990, the Notes will early a rate of universal of 157th per-term ner annum.

cera per annum.
The relevant Interest Payment Date will be 20th February, 1999. The Coupon Amount per £10,000 will be £377.57 payable against surrender of Coupon No. 3

Agent Bank

NOTICE IS HEREBY GIVEN THAT the meeting of the holders of the 7 5/8% Convertible

rated Debentures (the "Debentures") of PWA Corporation (the "Corporation") which was to be held at the Skyline Hotel, Glencoe Room, 110 - 9th Avenue S.E., Calgary, Alberta on Friday, the 24th day of November,

This Notice is given pursuant to the trust indenture made as of the 30th day of December, 1986 as amended by a supplemental trust deed made as of the 1st day of January, 1989 (the "Trust Indenture") between

The meeting is called pursuant to the provisions of the Trust Indenture for the purpose of considering.

effective on the day of the adoption of the Extraordinary Resolution so that interest

shall accrue and be payable as provided in the Trust Indenture at the rate of

respect of any of its indebtedness for borrowed money, to elect to pay the principal

amount of the Debentures, if any, outstanding at maturity on December 30, 1996 in

Common Shares of the Corporation. For this purpose, Common Shares will be valued

and issued at 95% of the weighted average trading price of the Common Shares on The Toronto Stock Exchange for the period of 20 consecutive trading days entling on

authorizing the Trustee to take such steps as it shall consider necessary or advisable

shall consider necessary or advisable to give effect to the foregoing amendments.

Those Debentureholders present in person or by proxy at the adjourned meeting will constitute a

and to enter into a supplemental indenture to the Trust Indenture in such form as it

MONTREAL TRUST COMPANY OF CANADA

COMPANY NOTICES

NIPPON OIL FINANCE

(NETHERLANDS) B.V.

YEN 8,000,000,000 FLOATING RATE NOTES DUE 1992

Notice is hereby given that for the Interest Period from the 27th November 1989 to 25th May 1990, the rate of Interest will be 5.63% per annum. The interest payable on the 25th May 1990 will be Yen 276,101, per each yen 10,000,000. Note.

The Mitsui Trust & Banking Co., Ltd.,

(ii) granting the Corporation the option, if the Corporation is not then in default in

Group total

### group loses \$52m due to shake-up

By Roderick Oram in New York

AMERICAN Medical International, the troubled US hospitals group, has suffered a large fiscal fourth-quarter

It reflects the costs of a sestructuring this autumn by a new group of controlling

anareholders.
The net loss for the three
months ended August 31 was
\$52.4m, or 75 cents a share,
against a net profit of \$18.3m, or 23 cents, a year earlier. Revenues were \$705.2m, down from \$791.8m because of the

disposal of some operations.

The latest figure included a pre-tax charge of \$100.2m for writedowns and additions to reserves during its autumn restructuring, plus a tax credit

restructuring, plus a tax credit of \$31.6m.

In the recapitalisation, a group of investors called IMA Holdings paid \$26.50 cash per share for 86 per cent of the company's stock. The remainder is still publicly traded.

For the full fluencial year AMI turned in a net loss of \$12.8m, or 18 cents a share argument a net mouth of \$115.3m. against a net profit of \$115.3m, or \$1.41, a year earlier. Reve-nues were \$2.75bn, against \$3.11bn.

The latest full year figure included charges of \$128.5m and pre-tax operating losses of \$22.8m from operations earmarked for disposal.

The new management which took over on November 9 said

it hoped to raise some \$1bn over the next 12 to 18 months from asset disposals, it intends to sell all its overseas operations including, as previ-ously announced, its 65 per cent stake in AMI Healthcare Group in the UK. So far it has signed contracts for \$200m of asset sales, raising more than

### US hospital | Esops become a fabled defence

Anatole Kaletsky on moves to fight activities of US corporate raiders

announced this week it would put 5 per cent of its shares in an employee stock ownership plan (Esop) it disappointed arbitra-geurs hoping for a takeover or major financial restructuring. However, the fourth largest

US oil company was following a long, and increasingly respectable line of US corporate giants turning to Esops not only to notivate employees, but also to discourage cor-porate raiders and Wall Street arbitrageurs. This line is likely to grow even longer, as a result of a little-noticed feature of the Budget Bill passed by Congress lest reselved.

last week.
Contrary to widespread expectations, the politicians did not act against the so-called "defensive Esops" which had become all the rage earlier this year and were beginning to cost the US Trea-sury billions of dollars in tax

As a result, the bandwagon of employee-ownership will continue to roll, with corporate raiders and Wall Street takeover lawyers providing the unlikely motive force. Esops have been around

since 1957, when they were invented by Mr Louis Kelso, a corporate lawyer from Calif-ornia with a crusading zeal for workers' capitalism. The idea of Esops was to allow employ-ees to become substantial shareholders in the companies they worked for, by allowing the companies to buy shares on their behalf.

The company would normally borrow money through a special trust to do this, then repay the borrowings as part of the workers' remuneration and gradually release the shares to workers as the Esop loan was paid off.

To promote this productivi-ty-enhancing movement Mr Kelso persuaded his many friends in Congress to provide the Esops with two crucial tax concessions. The dividends paid by companies to shares held by Esops were made tax deductible and banks which made Esop loans could exclude from their taxable income half the interest received.
In spite of these incentives

there was a marked lack of enthusiasm for Esops in the US business community - until about two years ago.

That was when Wall Street lawyers realised their possible use in the battle for corporate

Once companies learned to deploy Esops against takeover threats, idealism about employee ownership and work-

must win the support of at least 85 per cent of the "inde-pendent" shareholders of a company before a business marger can be completed. In January this year the courts confirmed what corre-

courts confirmed what corpo-rate raiders had been dreading - that the employee share-holders in an Esop are "inde-pendent" of management for the purposes of this statute. The courts found this to be true even though most of the stock in a newly-formed Esop has not yet been allocated to

individual employees and is therefore still controlled by the Esop's trustees. The reasoning behind this finding was that

Once companies learned to deploy Esops against takeover threats, idealism about employee ownership and workers' capitalism spread like wildfire through corporate America

America.

Within the first nine months of this year about 80 of the leading Fortune 500 companies created Esops, worth more than \$15bn in all. This was far more money than had been put into Esops during the previous 30 years of the concept's exis-

The essence of this new application was simple. In an age of corporate raiders, a company which got a large chunk of its equity into the hands of employees could rest more example.

owever, in the past 12 months a new and far months a new and had more powerful twist has been added to this obvious consideration. Because of new takeover laws passed by vari-ous states, especially Delaware, where most large US compa-nies are incorporated, a company which set up an Esop could make itself virtually

takeover-proof. In Delaware, a hostile bidder

ers' capitalism spread like trustees normally hold a poll wildfire through corporate on any major issue of corpoon any major issue of confor rate governance. They then vote the shares they control in proportion to the votes cast by the Esop members. If most employees side with management against outside corporate raiders, then the Esops, as shareholders, are justified in

doing so, the courts decided. While this conclusion was unexceptionable, and even widely welcomed in Congress, the response to it among US corporations was not. With cor-porate giants like Procter & Gamble, Xerox, ITT, Delta Airlines, Lockheed and J.C.Pen-ney suddenly moving to create or expand Esops, the cost of Esop tax breaks would rise to \$1.6bn annually over the next five years, Congressional tax advisers estimated in June.

That was before the \$6bn takeover proposal for UAL, the parent company of United Air-lines, by a group led by the company's management, its pilots' union and British Airways. UAL plans to borrow through the Esop every dollar

tion. The tax benefits on this deal alone would amount to well over \$100m annually.

Not surprisingly, Congress started to take a sceptical started to take a sceptical interest in this subject. As Washington tried to weed out the plans set up for essentially financial reasons from those with long-term industrial relations motives, a major tightening of the Esop regulations seemed to be on the cards.

Congressional tax-writers. incensed by the speculative fever on Wall Street in general and the UAL deal in particular, warned they would legislate against "financially-motivated" Esops and possibly even make the withdrawal of tax benefits

restrospective to catch UAL It took only a moment's It took only a moment's examination, however, to see the UAL deal would not have been prevented by the criterion which many congressmen suggested to bring Boops back to the original idea of worker participation — insistence of at least 30 per cent of the company's stock being placed in the employees' hands.

little more investiga-tion revealed that abolishing financial Esops would make the companies in their constituencies even more vulnerable to the hostile take-overs which they so fulsomely

As is so frequently the case on Capitol Hill, the upshot of all this confusion was policy paralysis. As Congress rushed to pass a budget before Thanksgiving, the Esop question

Chevron immediately put into effect its Esop plans, which would take the total stake held by its employees in savings and profit-sharing plans just pest the magic 15 per cent mark. The chances are many other embattled compa-nies will soon follow.

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### Mérieux claims Connaught win

By Robert Gibbens in Montreal

INSTITUT MERIEUX, the Rhône-Poulenc pharmaceuti-cals subsidiary, has almost certainly won the battle for Connaught BioSciences, the

Connaught Hosciences, the Canadian vaccine producer.

Mérieux says it has 56 per cent of Connaught under its C\$37-a-share (US\$31.80) bid that expired on Wednesday night. The bid is to be extended to December 11. December 11.
The Canadian Government

has extended its deadline to December 13 for completion of its review of both the Mérieux bid and the opposing offer from Ciba-Geigy of Switzerland, which is based on a C\$30-a-

share offer. Both companies have assured a continuing role for Connaught's Canadian Observers believe Mérieux's

latest concessions will lead to approval by Ottawa, though the Government could accept both offers and leave Con-naught shareholders to decide

Because Connaught distrib-utes in the US, Mérieux also needs Federal Trade Commis-sion approval, which is expec-● A new Canadian-owned upstream energy group is being

**CONTRACTS & TENDERS** 

■REQUEST FOR PREQUALIFICATION ■

THE PORT AUTHORITY OF MY & MUTTING

JFK REDEVELOPMENT PROGRAM

CONTRACT JFK-131.003

**ROTUNDA STRUCTURAL STEEL** 

The Port Authority of New York and New Jersey wishes to prequalify prospective bidders for Contract JFK-131.003—Rotunda Structural Steel. The project consists of the tabrication and erection of structural steel for the Rotunda Building In the Central Terminal Complex at JFK. At the present time, it is estimated that the quantity of structural steel will be in excess of 20,000 tons. It is expected that all work necessary for the tabrication and erection will be able to be performed in approximately 11 months time.

erection will be able to be performed in approximately 11 months time. 
Prospective bidders shall make every good faith effort to meet stated goals of Mimority Business Enterprise participation. The qualification information to be supplied to the Port Authority is set forth in the document entitled "Port Authority of New York and New Jersey, Request for Prequalification Information, JFK Redevelopment Program—Rotunda Structural Steel-Contract JFK-131.003," dated November 18, 1989, a copy of which will be furnished to prospective bidders upon request to Mr. Sam Park, telephone 212-466-3555. Prospective bidders shall submit the requested prequalification information on or before December 11, 1989. Prequalified bidders will be motified of their selection on or about March 12, 1990, at which time it is anticipated that contract documents will be made available.

of the US-owned Voyager Energy for CS247m in cash and Voyager is owned by Free-port-McMoRan, a New Orleans

formed through the takeover, by Trical Resources of Calgary,

resource group which this week unveiled a restructuring programme. Voyager has daily oil output of 2.800 harrels and 39m cu ft of gas in Western Canada, Trical is a small oil producer and its main asset is C\$65m cash:

It will pay McMoran C\$157m cash, plus \$90m in interest-free notes. The US company will retire Voyager's debt.

#### Continental Airlines, Inc. US\$38,500,000

Floating Rate Notes due 1996

Notice is hereby given that the rate of interest on the above Notes for the period 2nd December, 1989 to 1st March, 1990 has been fixed at 101/4% per annum. payable 1st March, 1990.

The amount payable against Coupon No. 14 will be \$25.62 per \$1,000 Note.

J. Henry Schroder Wagg & Co. Limited

A\$125,000,000 9%% Subordinated Convertible Bonds Due 1997 Mount Isa Finance N.V.

94% Subordinated Bonds Due 1997 anconditionally guaranteed on a subordinated basis by, with non-detachable sphordinated conversion bonds issued by, and with conversi rights into ordinary

M.I.M. Holdings Limited

shares of

NOTICE OF OFFER OF SHARES IN HIGHLANDS GOLD LIMITED TO THE HOLDERS OF OUTSTAND-ING CONVERSION BONDS.

NOTICE IS HEREBY GIVEN NOTICE IS HEREBY CAVEN by M.I.M. Holdings Limited (the "Company") that an offer of shares in Highlands Gold Limited is made to the holders of the Company's outstanding A\$125,000,000 Subordinated Conversion Bonds (the "Conversion Bonds") in accordance with the Trust Deed dated 10th June, 1987 constituting the Conversion Bonds.

Holders of outstanding Conver-aion Bonda are offered 39.5 shares in Highlands Gold Lim-ited for each Conversion Bond held, at an issue price payable in full on application of AS0.75 for each share. Entitlements to the issue are non-renounceable respect of holders of Convers Bonds.

Copies of the Prospectus of Highlands Gold Limited containing full details of the issue and of Highlands Gold Limited containing full details of the issue and of Highlands Gold Limited together with the Entitlement and Acceptance Forms required to accept this offer will be available for collection from November 27, 1989 at (1) the office of Kredietbank S.A. Lunembourgeoise at 43 Boulevard Royal, L-2955, Luxembourg and (2) the office of Kredietbank NV, at Arenbergstraat 7, B-1000 Brussels, upon presentation to either Conversion Agent of one or more Conversion Bonds having attached election notices bearing the identification "Election Notice No. 2".

Completed Entitlement and Acceptance Forms must be Acceptance Forms must be lodged with Highlands Gold Limited in accordance with the instructions on the form prior to 5.00 p.m. on December 15, 1989 Australian Eastern Summer Time, after which time this offer shall kipse.

DATED NOVEMBER 1, 1989 M.I.M. HOLDINGS LIMITED by D.M. MUNRO, SECRETARY & GENERAL COUNSEL

US\$125,000,000 61/2% Subordinated Convertible Bonds Due 1997 Mount Isa Finance N.V.

61/2% Subordinated Bonds Due 1997 meconditionally guaranteed on a subordinated basis by, with non-detachai subordinated conversion bonds issued by, and with convers rights into ordinary

shares of, M.LM. Holdings Limited

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Holders of outstanding Conversion Bonds are offered 54.75 shares in Highlands Gold Limited for each Conversion Bond held, at an issue price payable in full on application of A\$0.75 for each share. Entitlements to the issue are non-renounceable in respect of holders of Conversion Bonds.

Copies of the Prospectus of Highlands Gold Limited containing full details of the issue and of Highlands Gold Limited containing full details of the issue and of Highlands Gold Limited together with the Entitibrusht and Acceptance Forms required to secept this offer will be againable for collection from November 27, 1989 at (1) the office of Kredetbank S.A. Luxembourgeoise at 43 Boulevard Royal, L-2955, Luxembourgeoise at 62 Kredistbank N.V. at Aresbergerat 7, B-1000 Brussels, upon presentation to either Conversion Agent of one or more Conversion Boads having attached election notices bearing the identification "Election Notice No. 2".

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DATED NOVEMBER 1, 1969.
M.L.M. HOLDINGS LEMITED
by D.M. MUNRO, SECRETARY &
GENERAL COUNSEL

## **FOUR EARNINGS PER SHARE** R COMPANY'S TAX BILL INTO AN ASSET AND SELECTION OF THE COURSE INVEST IN LUXURY OFFICES WITH FULL ENTERPRISE ZONE TAX ALLOWANCES

## Please return to: The Marketing Director, Wiggins Waterside Ltd., Suite 4, Beaudort Court, Marsh Wolf, South Quay, London, E149LX.

When the business climate was good did anyone look back? When the economy surged forward so did your carnings per share. In todays business climate maintaining earnings per share at acceptable levels is growing harder. Take a close look at what we're building within the Docklands Enterprise Zone. Under an umbrella of tax and investment incensives given to Docklands. Wiggins has become a Ston-ride; in the constituence of the many interpretion tax. become a specialist in the creative use of the many interesting tax planning possibilities available. planning persibilities available.

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per share.

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**8333** Title WIGGINS THE CLOSER YOU LOOK THE BETTER IT GETS

**LEGAL NOTICES** IN THE HIGH COURT OF JUSTICE

NO: 006951 OF 1989 CHANCERY DIVISION BY THE MATTER OP: BPP #CLDINGS oic IN THE MATTER OF: THE COMPANIES ACT 1985

NOTICE IS HISRESTY CRYEN that a Position max on the 6th November 1999 precented to Her Majesty's Court of Justice for the confir-mation of the canocillation of the Share Premium Account of the above manes Com-AND NOTICE IS FURTHER GIVEN that the

DATED tals 27 day of November 1989

#### INTERNATIONAL COMPANIES AND FINANCE

### Door opens on Indian investment

Gita Piramal finds a growing awareness of Asian capital markets

new equity fund that offers investors a mix of Indian and Pacific Rim stocks, highlights the growing international awareness of Indian cap-

JF India Pacific Trust; an open-ended US dollar-denominated fund, is a partnership between Jardine Fleming, the Hong Kong-based merchant bankers, and Mr S.K. Modi, a member of the Modi group, India's 10th higgest business

The trust will invest around 20 per cent of its funds in the Indian stock market, and the balance in Pacific Rim coun-

Investment funds are one of the few approved and convenient routes of investing in the Indian economy, and at least three of the five existing funds are performing quite well. Two of these are closed-

ast week's launch of a ended funds; the India Fund new equity fund that and the India Growth Fund, offers investors a mix of both launched by the Unit Trust of India (UTI) in association with Merrill Lynch capital markets. While closed-end funds are generally quoted at discount to the net asset value, these two funds are both trad-

ing well above par.

Meanwhile, two more India
funds are in the pipeline, a
joint operation between Shearson Lehman Hutton and Mr Ashok Biria, a Bombay-based businessman Both are planned as open-ended Jersey-based funds, aimed at the retail mar-ket, particularly investors of Indian origin settled in the Middle East.

The major snag to this form of investment is of a fiscal nature. A 45 per cent tax on long-term capital gains, when combined with a depreciating Mr D Basu, managing direc-tor of SBI capital markets, advisers to the India Magnum Fund, argues that need not deter certain types of investor,

Our investors, who are mainly institutional, are looking for long-term growth rather than income so the high tax rate is not immediately rel-

evant," he maintains.

"Redemption ( of the India
Magnum Fund) is after five
years and I fully expect that all
60 of our investors will continue supporting the fund even after that. In the meanwhile, the tax rates may change," he

Several Asian countries -South Korea, Malaysia, Pakistan and Taiwan for example do not levy a long-term capital gains tax and Indian bankers have begun lobbying the Government to bring Indian tax in line with other countries. If rates do not come down, foreign investors will channel their funds into other Asian countries, they warn. Funds sponsored by Indian financial institutions such as

the UTI and the State Bank of India enjoy a few tax concessions, but most of these are not available to private entrepre-neurs such as Mr Birla and Mr

The private funds face other restrictions too. In certain cases, such as the JF India Pacific Trust, Indian foreign exchange regulations limit par-

ticipation to non-residents.

As the concept of offshore mutual funds gains acceptance, though, the funds' proponents are hopeful that prevailing restrictions may ease. As Mr M.J. Pherwani, chairman of UTI says: "When we launched the India Fund in September 1986, we opened a window. But it is a door now."

#### **Domestic growth boosts** Mitsubishi Electric 65%

**GENCOR LIMITED** 

(Incorporated in the Republic of South Africa)

Registration Number 01/01232/06

ISSUE OF TALON NO.8 AND NEW COUPONS

NOS 135/164 ATTACHED

NOTICE IS HEREBY GIVEN TO THE HOLDERS OF SHARE

WARRANTS TO BEARER (GENCOR BEARERS) that new sheets of

Coupons Nos, 135/164 with Talon No. 8 anached are about to be issued by the

Listing forms which must accompany Talon(s) no. 7 submitted for

ge can be obtained from and also deposited with the following

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ondon Secretaries in exchange for Talon No.7.

Gencor (U.K.) Limited

Paradeplatz 8 CH-8021 Zurich

30 Ely Placs London ECIN 6UA

CH-8021 Zurich

GENERAL MINING UNION CORPORATION LIMITED)

MITSUBISHI ELECTRIC, the Japanese electric machinery maker, reported a 65 per cent increase in consolidated net profit to Y35.7bn (\$250.5m) for the half-year to end-September as domestic economic growth

as domestic economic growth fuelled profits.

Sales for the period rose 15 per cent to Y1,414bn, with sales of industrial machinery up 26 per cent, data communications systems up 22 per cent, and heavy electric machinery up 14 per cent. Foreign sales rose 19 per cent of total sales.

For the full year to end-

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For the full year to end-March, the company expects consolidated net profit of Y78bn, up 37 per cent, and

sales of Y2,920bn, an increase

of 7.4 per cent. Hitachi, Japan's largest com-prehensive electric machinery maker, reported a consolidated mater, reported a consolimated net profit for the first half of Y101.26n, an increase of 19 per cent, on sales of Y3,485.86n, up 12 per cent. For the full year, the company expects net sales of Y7,000bn, up from Y6,401bn last year, and net profit of Y210bn, compared to last year's Y185bn.

The company reported sales of power systems up 18 per cent, industrial machinery up 19 per cent, and communica-tion systems up 15 per cent. Consumer products sales fell 4

#### **NZ** Government attacked for failure to save DFC

SIR RON Brierley, chairman of Brierley Investments (BIL), has attacked the Government over its handling of the collapse of investment bank DFC New

Zealand, according to Reuters. At BIL's annual meeting, Sir Ron hit out at the Government for refusing to ball out DFC, and criticised its decision to put the bank under statutory

Mr David Caygill, Finance Minister, has consistently refused to ball out DFC despite heavy pressure from Japanese

Sir Ron said that not intervening "is likely to cost far more in real economic terms in the long run than any fiscal loss to the Government facing up to a measure of responsibility and reassurance.

A New Zealand samurai bond issue fell through last month after Japanese banks refused to support it and sev-eral New Zealand companies have reported problems raising foreign loans following the DFC collapse. Tokyo market sources estimate Japanese banks lent heavily to DFC.

#### Western Mining confident

WESTERN MINING Corp Holdings (WMC), the Austra-lian mining house, expects higher profits for the first half of 1989/90, Sir Arvi Parbo, the chairman, told the annual meeting, according to Reuter.

Demand and prices for
WMC's products are expected

to be reasonably satisfactory this financial year but some-what lower than last year, except for alumina, he said. Net profit amounted to A\$203.87m (US\$159.15m) for

DIAMOND CAPITAL LTD Registered officer 30, Broad Strack ovia, Republic of Liberta Notice of Dissolution

last year's first half, to end December. WMC, the world's third larg-est nickel producer, aims to increase nickel output this year, allowing WMC's Western Australian smelter and refinery to operate at full capacity.
WMC also expects gold output to come close to 1m oz this

Arvi said that WMC's capital spending on expansion this year would exceed A\$400m.

#### **Boone fights for** say in Koito

MR T. BOONE Pickens, the corporate raider, said his com-pany, Boone, will fight to place four directors on the board of Kotto Manufacturing, a Japa-nese automotive lighting company, Reuter reports. Mr Pickens said Boone is Koito's largest shareholder, but requests to nominate directors

were rejected at every step.

Toyota, which has three seats on the board, has threatened to curtail business rela-tions with Kolto if Pickens-nominated directors were

-6-15-08 1/19 1

30 Ely Piace London ECIN 6UA

This announcement appears as a matter of record only.

November 30, 1989

## Japan Synthetic Rubber Co., Ltd. Tokyo, Japan

#### DM 200,000,000

15% % Bonds of 1989/1994 with Warrants to subscribe for shares of common stock of Japan Synthetic Rubber Co., Ltd.

Subscription Right:

Each Warrant entitles the bearer to subscribe for Shares of

Common Stock of Japan Synthetic Rubber Co., Ltd., at a subscription price of ¥ 1,323. The Warrants may be exercised from December 28. 1989 to November 18, 1994. Frankfurt (Main)

#### BHF-BANK

The Nikko Securities Co., (Deutschland) GmbH

Industriebank von Japan (Deutschland) Aktiengesellschaft

Daiwa Europe (Deutschland) GmbH Deutsche Bank

Morgan Stanley GmbH

Aktiengesellschaft

Girozentrale DG BANK

Deutsche Genossenschaftsbank

Nomura Europe GmbH

Bayerische Landesbank

Investment Banking Yamaichi International (Deutschland) GmbH

Sumitomo Bank (Deutschland) GmbH Kredietbank International

CSFB-Effectenbank

Salomon Brothers AG Raiffeisen Zentralbank Österreich AG

Vereins- und Westbank Société Générale -Aktiengesellschaft Elsassische Bank & Co.

Merrill Lynch Bank AG

Schweizerische Bankgesellschaft (Deutschland) AG

Bayerische Vereinsbank

(Schweizerischer Bankverein

Aktiengesellschaft

Dresdner Bank

Aktiengesellschaft

(Deutschland) AG

Westdeutsche Landesbank Girozentrale

All of these Securities having been sold, this announcement appears as a matter of record only



4,025,000 Participating Shares Series A With Warrants

### Rhône-Poulenc S.A.

4,025,000 Units

4,025,000 International Depositary Shares With 16,100,000 Warrants To Purchase 4,025,000 Participating Shares Series A

Price FF 465 Per Unit

This portion of the underwriting is being othered outside the United States by the undersigned.

2.012.500 Shares

Shearson Lehman Hutton International

Merrill Lynch International Limited

Société Générale

Algemene Bank Nederland N.V.

Banque De Gestion Privée-SIB (Groupe Pargesa)

Amsterdam-Rotterdam Bank N.V. Banque Indosuez

AKTIENGESELLSCHAFT

Barclays de Zoete Wedd Limited

**BNP Capital Markets Limited COMMERZBANK** James Capel & Co.

Caisse des Dépots et Consignations Crédit Lyonnais Securities Crédit Agricole

Daiwa Europe Limited

Crédit Suisse First Boston Limited Deutsche Bank Capital Markets Limited

Dresdner Bank

Mediobanca-Banca di Credito Finanziario S.P.A. Generale Bank Kansallis Banking Group Nomura International Paribas Capital Markets Group RBC Dominion Securities International Swiss Bank Corporation

N. M. Rothschild + Sons Limited La Compagnie Financière Edmond de Rothschild Banque UBS Phillips & Drew Securities Limited

S.G. Warburg Securities

This portion of the underwriting is being offered in the United States by the undersigned.

2,012,500 Shares

Merrill Lynch Capital Markets

Shearson Lehman Hutton Inc.

Société Générale Securities Corporation

Dillon, Read & Co. Inc. Goldman, Sachs & Co.

The First Boston Corporation Donaldson, Lufkin & Jenrette Drexel Burnham Lambert Lazard Frères & Co. Hambrecht & Quist Kidder, Peabody & Co.

Montgomery Securities Prudential-Bache Capital Funding

Morgan Stanley & Co. PaineWebber Incorporated Salomon Brothers Inc Robertson, Stephens & Company S.G. Warburg Securities

Smith Barney, Harris Upham & Co.

Dean Witter Reynolds Inc. Wertheim Schroder & Co. A. G. Edwards & Sons, Inc. Oppenheimer & Co., Inc. Advest, Inc.

Arnhold and S. Bleichroeder, Inc. Sanford C. Bernstein & Co., Inc. Cowen & Co. Dain Bosworth Eppler, Guerin & Turner, Inc. Furman Selz Mager Dietz & Birney Gruntal & Co., Incorporated Interstate/Johnson Lane Janney Montgomery Scott Inc. C.J. Lawrence, Morgan Grenfell Inc.

Mabon, Nugent & Co. Legg Mason Wood Walker Piper, Jaffray & Hopwood

Prescott, Ball & Turben, Inc. The Robinson-Humphrey Company, Inc.

Brean Murray, Foster Securities Inc.

Fahnestock & Co. Inc.

Howard, Weil, Labouisse, Friedrichs Anantha Raman & Company, Inc.

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£11,000,000 Class B-2 Mortgage Backed Floating Rate Notes August 2023

For the interest period 30th November, 1989 to 28th February, 1990 the Class B-1 Notes will bear interest at 15.575% per annum. Interest payable on 28th February, 1990 will amount to £3,840.41 per £100,000 Note. The Class B-2 Notes will bear interest at 15.75% per annum. Interest payable on 28th February, 1990 will amount to £3,883.56 per £100,000 Note.

Agent Banks Morgan Guaranty Trust Company of New York London

#### **CITICORP** MORTGAGE SECURITIES, INC.

REMIC Pass-Through Certificates, Series 1987-13 US\$57,057,000 Initial Stated **Amount of Class A-1 Citicertificates** 

For the period 1st December, 1989 to 1st March, 1990 the Class A-1 Citicertificates will carry an interest rate of 9.25% per annum with an Interest amount of US\$20.57 per US\$1,000 (the Initial Stated Amount of an individual Citicertificate) payable on 1st March, 1990. The Stated Amount of the Citicertificates outstanding will be 88.95142733% of the Initial Stated Amount of the Citicertificates, or US\$889.51 per individual Citicertificate until



1st March, 1990. Security Pacific Merchant Bank is the business National Bank, a member of The Securities Ass

30th November, 1989



#### TOSHIBA CERAMICS CO.,LTD.

U.S.\$100,000,000 3% per cent. Guaranteed Bonds due 1993

#### Warrants

to subscribe for shares of common stock of Toshiba Ceramics Co., Ltd. Payments of principal and interest on the Bonds being unconditionally and irrevocably guaranteed by

The Mitsui Bank, Limited

ISSUE PRICE 100 PER CENT.

**Nomura International** 

**Daiwa Europe Limited** 

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Banque Indosuez Baring Brothers & Co., Limited **Credit Lyonnais Securities** Deutsche Bank Capital Markets Limited Goldman Sachs International Limited **KOKUSAI** Europe Limited Merrill Lynch International Limited **Paribas Capital Markets Group Swiss Bank Corporation UBS Phillips & Drew Securities Limited** Yamaichi International (Europe) Limited



"SERAFINO FERRUZZI" **EUROPEAN SCHOLARSHIPS** 1990-91

Ferruzer Financiaria S.p.A. has decided to award up to 6 scholarships for the 1980-91 academic year to commemorate the late Serafino Ferruzzi, the founder of the Ferruzer Group. The purpose of launching these scholarchips is to encourage EEC graduates to undertake post-graduate courses of economics and related subjects.

II the oSeration Ferruzzo scholarships are open to nationals of EEC Member States form after 31 December 1962, who hold a university degree (or equivalent qualification) in Frontonics, Business, Political Science, Engineering, Law, Agriculture, awarded by a university (or equivalent institute) in an FEC country, as well as in the United States, and who intend to follow past graduate courses of study in one of the EEC Member States that not in the State of which the applicant is a national), or in the United States.

The scholarships will cover university—or the selected institute—enrolment and attendance fees, proof of which must be provided. They will meltale an additional amount to cover travel, living and medical expenses, fixed of a flat rate of 12,000 ECU per annual (gross) for Europe and 15,000 US dollars per unusus (gross) for the United States.

The -Seratino Ferruzzia scholarships will be awarded at the complete discretion of the Scholarships Committee on the basis of the applications received. The Scholarships Committee will be appointed by the Presi-

The scholarships will cover the 1990-91 academic year, and at the discre-tion of the Scholarships Committee may be renewed for an additional year upon successful completion of the first year of study.

The application, compiled in English, must be received not later than 31 January 1990 at the following address:

Serafino Ferruzzi « Europeon Scholarships

Consumo ecremen Europea Consumo Serveri di Gruppo Gruppo Ferrazzi Fore Buonaparte, 31 20121 - Milan

Italy

In addition to the relevant personal data, the application must indicate the university or institute the applicant wishes to attend and the post-graduate course of study he/she intends to follow. The following documents must be attached to the application: a) photo

the influential documents must be attached to the application: a) protoof the applicant agency by him, her on its reserve side; b) original or
pullenticated copy of the certificate attesting to university studies completed and to seademic results achieved; c) curriculum vitae in English
meluding reference to university studies completed, publications, re-

search activities, work experience, etc.
An applicant may submit copies of his/her publications (such as thesis, articles, etc.), which will be retained by the Scholarships Committee, and

An applicant is required to nominate two referees and to arrange for each referee to send a letter of recommendation in English directly to the Scholarships Committee The Scholarships Committee shall, if it deems it necessary, contact the referees in order to obtain additional information about the applicant.

Successful applicants will be notified by registered mail of the results of his/her application not later than 31 March 1990 at the address indicated on the application. They must notify the Scholarships Committee of their acceptance of the scholarship within 30 days of receiving such

A holder of a «Seralino Ferruzzi» scholarship may not hold any other scholarship, grant or study allowance. Upon secepting a «Seralino Fer-ruzzi» scholarship, an applicant will be required to relinquish any other scholarship, grant or study allowance.

The applicant will be responsible for obtaining admission to the selected university and course of study.

The holder of a scholarship will be obliged to follow the study programme indicated in his/her application at the University or Institute specified. Any variations must be approved by a nominated representative of the Scholarships Committee.

At the discretion of the Scholarships Committee, a successful applicant may be granted a year's postponement before taking up the scholarship.

All Ferruzzi Finanziaria S.p.A. will pay 46% of the scholarship money in advance, on receipt of a letter of acceptance from the University or Institute specified in the application. The remaining amount will be paid in quarterly instalments, subject to the provision of evidence of satisfactory attendance at the course of study.

A scholarship holder is required to send six-monthly reports of his study progress to a monimated representative of the Scholarships Committee. The report sent at the end of the academic year must be accompanied by a letter from the student's tutor or supervisor (or equivalent person) reporting on the student's progress and his or har examination results.

The submission of an application implies acceptance by the applicant of the terms and conditions set out in this Notice.

Milan, 1 December 1989 The President of Ferruzzi Finanziaria S.p.A. Raul Gardini

#### INTERNATIONAL CAPITAL MARKETS

### Murder of Herrhausen casts shadow over activity

By Rachel Johnson in London and Karen Zagor in New York

AUSTRALIA

THE DEATH of Mr Alfred Deutsche Bank, cast a hlight yesterday over the German government bond market, as traders refrained from dealing in the confusion.

in the contision.

Futures trading became more volatile, and cash slower, at the news which overshadowed the day.

But trading picked up after its lows, and prices advanced in a smooth progression. "After low figures prices went better."

low fixings, prices went better and better," a trader at Salo-mon's said. "There were long-term buyers underpinning

The 7 per cent Bundesobliga-The 7 per cent Bundesconga-tionen were fixed at 96.75 to yield 7.83 per cent, then moved up around a % point to yield less than 7.80 per cent, after stimulating some buying inter-est when it reached low levels to a "bear sources"

#### The futures contract on Liffe GOVERNMENT

BONDS

had a busier day, swinging between 90.06 after the morn-ing's news, and 90.74, as the contract consolidated during trading. The day before, it closed at 90.58.

The Bundesbank's announcement of a repurchase pact details of which are to be given today — was fully expected by the market.

**US TREASURY bonds moved** marginally higher yesterday morning as the debt market remained in a holding pattern ahead of today's release of the US purchasing managers'

At mid-session, the Trea sury's benchmark 30-year bond was quoted is higher at 102%. yielding 7.90 per cent.

At the short end of the yield

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notes New York morning session standard Prices: US, UK in 32nds., others in declins

about & to yield 7.75 per cent One reason given for the debt market's firmer tone yesterday morning was a report of large Japanese purchases of five-year government notes on

/ednesday. The Federal Reserve arranged \$1.5bn customer repurchase agreements when Fed funds were trading at 8%. The target rate for the funds is still thought to be 8½ per cent, although the Fed is expected to ease further by the end of the

The dollar moved lower at mid-session on rumours that Mr Alan Greenspan, chairman of the Federal Reserve, was planning to resign.

Although the rumours were denied, the dollar slipped to DM1.7790 from DM1.7883 earlier in the morning.
The Chicago purchasing managers' survey, which was released yesterday, showed a decline to 49.1 per cent from

51.7 per cent. According to market analysts this suggests that the national survey due for release this morning will be little

changed from 47.6 per cent.

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FT INTERNATIONAL BOND SERVICE

Technical Data/ATLAS Price Source There were no surprises from the income and consumption figures released yesterday morning. October's personal

income rose 0.7 per cent, excluding special factors. Personal consumption expen-ditures fell 0.2 per cent while the PCE deflator, a measure of inflation, rose 0.7 per cent in October after rising 0.2 per cent in September.

■UK government bonds fell ¼ point yesterday amid reports that "someone in swaps was selling gilts" and driving down

Also, the placing of 280m of mortgage-backed securities by Brixton Estates flummoxed the market as traders expected investors to switch out of gilts to buy the new paper. However, this did not appear

to happen to any great extent and the economic data of the day, the bank deposit MO figure, did very little to stir the

The Benchmark Treasury 9 per cent due 2008 fell ¼ to yield 9.88 per cent.

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Straight Bonds: The yield is the yield to redemption of the mid-price the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week scaller.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Compon shown is minimum. C. dits = Date inset coupon becomes effective. Spread = Margin above six-month next coupons.

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Compertible Boards: Denominated in dollars unless otherwise indicated.

Compertible Boards: Denominated in dollars unless otherwise indicated.

Cod. day — Chappe on day. Com date = First date of conversion late shares. Cav. price = Nomhall amount of bond per share expressed recurrency of share at conversion rate fixed at issue. Prem = Percentage premium of the currental factive price of acquiring shares via the bond over the most recent price of the shares.

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### Lloyds Bank to pull out of Egypt

By Tony Walker in Cairo

LLOYDS BANK of the UK is transferring its business in Egypt to the Commercial International Bank and closing its branch after 13 years in operation. A Lloyds official sald yesterday that the decision to divest was taken in line with the bank's "policy of divesting itself of its non-core activities."

The transfer agreement was signed by Mr Angus Erskine, a senior Lloyds executive on behalf of the general manager, and Mr Ahmed Ismail, chair-man of CIB. Lloyds plans to transfer its accounts over several months, with the bulk of the business being handed over on March 1. Mr Erskine said that Lloyds "would of course provide indemnities for

any non-performing loans."

The UK bank has, for sev-The UK bank has, for several years, been scaling down its activities in Egypt and tightening restrictions on credit in the face of a difficult local business environment.

CIB, which was formally Chase National Bank of Egypt until Chase Manhattan pulled out of a joint yearing a lost.

out of a joint venture in 1987, is regarded as one of Egypt's more successful local institutions. It is owned by the National Bank of Egypt, the country's largest public sector commercial bank.

Lloyds will not accept new Lloyds will not accept new business from January 1. It plans to apply formally for clo-sure on July 1, although this is flexible. Mr Erskine said that the bank was planning a phased transfer of business to CIB to enable clients to get used to the idea.

He said Lloyds was anxious to "ease the passage" from one bank to another. Lloyds decided not to maintain a rep-resentative office in Cairo, but it plans to preserve a close cor-respondent relations with CIB.

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#### **Schroders** discloses shortfall

By Rachel Johnson in London

Schroders, the UK merchant bank, yesterday followed the unusual example of Baring Brothers when it disclosed that only three-quarters of a domestic debenture issue day.

Baring Brothers brought the

disclosure debate to a head in September when it announced that it had placed only 55 per cent of its domestic debenture issue for Aliled Lyons with Barings said at the time that it was making its announce-

ment in order to avoid violating Section 47 of the Financial Services Act. This section prevents firms from making misleading state-

ments, or committing acts. which are designed to create a misleading impression of a security. In similar vein, Schröders

took legal advice before announcing that £21.8m of a £80m issue for Brixton estates, the property development com-pany, had not attracted the buying interest of institutional investors yesterday. If Schroders had not dis-

closed that the remaining quarter of the issue had been offered to market makers, at a price likely to be below that offered to institutional investors, it could have been open to accusations of misleading the market under Section

47.
Schroders yesterday said that although there were "differing opinions" about the need to disclose to the market, it had decided to emulate the example set by Barings in the

"Tegal advice was that we should make a statement in this instance," a spokesman

THE THE PART OF TH Schroders also pointed out that the chances of an entirely successful placing of a dones-tic debeature issue at the pres-ent time were slim. An issue had the shrinking

government bond market, the approaching year end, and pre-vailing worries about inflation to contend with.

Consequently, Schroders had expected some remainder of the issue - "as virtually all debentures are these days" - to have been placed over a period of days. The Brixton Estate deben-

tures have a 10% coupon and are due in 2012. The company's financing package comprises £39.5m in existing swap contracts at an average rate of II per cent, together with short and long-term borrowing facilities totalling more than £140m.

The issue is partly paid, with £30 per £100 payable in December, the balance in 1990. Mr Harry Axton, company chairman, said the capital raised would fund refinancing of variable rate borrowings, as well as property investment

هكذا من النصل

#### INTERNATIONAL CAPITAL MARKETS

### Traders hail Liffe computer system after modest start

By Deborah Hargreaves

TRADING was off to a modest. APT was to operate. start yesterday for the London International Financial Futures Exchange's computerised trading system which traded 1,513 contracts on its first evening of operation.

Traders halled the start of a new era as Liffe's Automated

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Pit Trading started up to extend the exchange's trading day from 4.30pm until 6pm. Traders are not entirely new to the idea of screen trading since most of the exchange's members have been involved in the development of the system over the past 18 months.

APT has been running a dummy market for the past three weeks where traders have had an epportunity to practice their skills on-screen. In order to qualify to trade on the system, brokers must take a three-hour training course which includes an exam.

Brokers exist they acknowled.

Brokers say they enjoyed using the system which operates in a similar way to a video game and it will be cheaper to operate than to have brokers on the exchange floor for an extended period.

"My right hand now controls millions of pounds and I have to make sure it doesn't slip," joked Mr Iljima at the Bank of Tokyo. Traders say new safe-guards have to be developed for screen trading, but overall were surprised at how easy

The first contract to be listed on Liffe's APT system is the exchange's Euromark futures which first started up in April. The exchange is expecting to see volume of trades on APT build up gradually as brokers get used to using it.

In a board meeting on Mon-

day, London's International Commodities Clearing House will discuss the course of action it intends to take about major defaults on the New Zealand Futures Exchange.

The clearing house itself

guarantees trades between

futures trading members and could be liable to meet any payment defaulted on by one of its brokers. However, it holds no responsibility for default by customers of those brokers. The clearing house would make no comment on what its action would be, beyond saying it was keeping its options open. The New Zealand Futures market was thrown into turmoil recently when Jordan Sandman Futures failed to meet a margin call on its NZ

The New Zealand authorities have referred the clients'

bond futures positions. West-pac Banking averted a similar

crisis when it paid margin

from its own account to cover a default by a London-based

Canadian preferred shares rising from the dead Barry Critchley reports on how corporate finance men have revived an ailing securities market

ANADA'S preferred 18-month bill during which it seemed that the Government had successfully stamped on this form of security, the market is hitting back hard.

Preferred shares remain a hybrid: part debt, part equity. But Canada's corporate finance men have revamped their fiscal standing and in the process successfully revived the attrac-tions of the securities for both

As a result, more than C\$4.2hn (US\$3.62hn) has been raised in preferred shares in the first nine months of this year. That compares with C\$658m in 1988. In the 12 months to September, 1989, almost a third of the \$13.5bm raised by Canadian corpora-tions was in preferred shares

To understand the popular-ity of preferred shares it is necessary to go back to the late 1970s, when interest developed in after-tax financing as a ilt of various tax incentives and the deductibility of intercorporate dividends. Accordingly, corporations

which were not paying current taxes could achieve significant after-tax cost savings by financing through preferred shares rather than debt. At the same time, the issue of preferreds was encouraged because the cost of that type of capital was lower than the cost of issning common shares. Also, there

The popularity of the instrushare market is back ments has ebbed and flowed from the dead. After an over time, The inflationary spiover time. The inflationary spiral of the early 1980s discouraged investors from commit-ting their money in perpetuity. Thus, corporations found that they had to issue retractable preferred shares, a security that gave the holder the option to put the shares back to the issuer at some defined future date. That trend was also helped by the amount of taxes that had to be paid on high interest yielding securities. Thus they shifted their attention to dividend income, which was more tax-efficient.

> Preferred shares flourished in the 1980s because corporations needed to restore balance sheets to financial respectability'

In the mid-1980s, preferreds

flourished because of the need for corporations to restore their balance sheets to financial respectability - and the general inability to finance via common equity. When the common equity boom of 1985-1987 materialised, the popularity of preferreds declined. In the summer of 1987, as part of its tax reform pro-

gramme, the federal Government tightened the rules on preferreds. Under the new proposals, in virtually all the pre-ferred share financings, the issuer would have to pay a 40

PREFERRED FINANCINGS (\$m) Prets as % of total 13,601 2,118 8,952 8,931 5,371 1,897 9,199 15,977 2,223 4,442 5,309 5,359 1,342 2,694 2,953 4,802 4,344 4,339 3,961 5,694 9,801 17,717 15,619 11,215 5,003 1,040 2,060 10,306 10,428 13.0 25.8 "For first nine months of 1989

per cent tax on the dividends paid (thereby raising the cost of capital). Alternatively, the issuer could pay a 25 per cent tax and the recipient a 10 per cent tax.

After a period - during which proposals became legislation and Canadian financiers hatched plans to find a way around them — the issues started to flow again. This time round, the taxes were paid by the issuers who were able to claim an offsetting tax credit. (in this way, the after-tax cost of financing equalled the rate on the coupon.)

On the other hand issues by corporations which were not paying tax also flourished: those corporations took advantage of a provision whereby the tax liability and the associated tax credit could be transferred (within limitations) to related companies in a group. For those issuers, preferreds represented a much cheaper source of canital than debt.

Of late, another factor has

come into play: some leading financial institutions are making large profits and are looking for ways to shelter their income. Preferred shares provide the ideal investment because the dividends are received tax free. "The Toronto Dominion Bank is going to make \$1bn of profit this year and they are buying half of every issue," says one under-writer. Investment dealers are now designing products to meet that demand. But to be effective, the dealers have to sell the securities on a private

So far this year, at least four variations of preferred shares have made their way through the financial markets. These are all based on a structure that represents a way around the restrictive rules that apply to term preferred shares.

The latest craze is corporations issuing perpetual pre-ferred shares where the dividend rate floats in line with the rate on 30-day bankers'

LONDON TRADED options had a

busier day as the rise on the stock market prompted a pick-up in activity in the derivatives mar-

240 30 40 43 3 4 5 260 13 24 28 7 10 12

acceptances. After five years, the dividend rate is set through an auction procedure. The added wrinkle is that the shares are neither convertible nor exchangeable into common shares of the issuer. John Labatt and Lonvest - two companies within the Peter and Edward Brontman empire

- have sold such securities to

the market That wrinkle follows an earlier scheme where the dividend rate floated in line with the rate on bankers' acceptances with the preferreds being convertible or exchangeable into common shares of the issuer. At least four corporations -

New craze is companies issuing perpetual preferreds where the dividend rate floats in line with 30-day bankers' acceptances'

Hollinger, Rogers Communica-tions, Fletcher Challenge Equi-ties Canada and GW-CG Investments - raised funds via this method this year. Those two wrinkles, followed from another variant - issues of perpetual, non-cumulative preferred shares. Those financings were especially attractive to the banks because the money so raised counted as perma-nent, or Tier 1, capital, for reg-

ulatory purposes. Earlier this year issues of perpetual preferred shares where the dividend rate was

fixed for the first five years, and after that, was subject to negotiation, were popular. The 1989 innovations merely

continue longstanding tradition in the preferred share market. The most important variations over the past decade have included:

 Guaranteed preferreds. These are securities issued by one corporation, but where another corporation guarantees the timely repayment of dividends, retraction amounts and any redemption premiums. • Floating rate preferreds: These are securities where the dividend rate floats up and down - though between a defined band - in line with another interest rate, such as the bank's prime lending rate.

• Adjustable floating rate preferreds. With these, there were two influences on dividend, the floating rate plus the extent to which the market price of the securities fluctuates.

 Fixed/floating rate preferreds. Another hybrid where the dividend rate is fixed for a defined period of time and thereafter floats.

 Auction preferreds. While these financings represent per-manent capital for an issuer, investors do have an opportunity to get out of their holdings at a regular monthly auction. Exchangeable preferreds. Buyers of these securities which are similar to convertibles - are exchangeable into common shares of a corporation owned, or affiliated, with

close of business on Tuesday.

Meanwhile, FT-SE open interest stood at 148,868 tots, compared

options, BP was the most active with dealers saying that an investigation

tor had rolled over about 1,500 contracts from January into April, BP turned over 4,013 contracts, of which 3,725 were puts and 288 were calls. The January 300 put

### Australian dollar sector helps enliven a dull market

POCKETS of activity in musual sectors enlivened an otherwise dull Eurobond market yesterday, Stephen Fidler

In the Australian dollar sector, Hambros brought to mar-ket the longest-dated Australian dollar issue yet to an enthusiastic response. With a A\$350m nominal size, the issue for Treasury Corporation of New South Wales sounded larger than it was. The issue price of 14.55 yielded an annual rate of 13.234 per cent at full fees, though the issue quickly moved to only a 30 basis point discount to issue price.

issue, said it was directed initially more to institutional investors than current coupon issues which are usually popular with retail investors. It suggested the popularity of the deal reflected the fact that while investors were becoming more positive about the Australian dollar bonds, currency worries continued to deter

Zero coupons offered exposure to the A\$ bond market, but less exposure to the curprice. Furthermore, the inverse yield curve offered the opportunity for switching out of cur-The lead manager, under-writing 70-80 per cent of the zero, and to reinvest the pro-

ceeds in the higher-yielding short-term markets. Not that such issues are likely to be a common feature of the market few borrowers seem likely to want to take on

#### INTERNATIONAL BONDS

the risks of such issues and with "event risk" at the forefront of investors' minds, few issuers could satisfy investor requirements.

The proceeds of the issue will provide funding for a project with a slow initial payback, Hambros said. The funding was comparatively cheap, 100 basis points below the current coupon domestic issues of the same borrower.

A previously-announced \$30m convertible for STC Corp, the South Korean packaging maker, was launched by Credit Suisse First Boston. The issue, carrying a put option in 1994 to yield 250 basis points under the five-year US Treasury, rose to an extraordinary premium of 116 bid, despite an indicated conversion premium into nonvoting shares of 90-110 per cent and an indicated coupon of 1%-1% per cent, reflecting the shortage of South Korean equity in the market. Against the background of a

quiet secondary market where prices hardly moved, Bank of Tokyo Capital Markets brought an issue for a Curacao finance vehicle of its parent. The \$225m issue, with a spread over 10-year treasury paper at launch of 93 basis points (at full fees), was essentially placed in Asia and is not expected to trade.

General Motors Acceptance Corporation brought a three-year issue of Ecu100m through Swiss Bank Corporation, carrying a 10 per cent coupon and an issue price of 101.80. The issue, helped by a rally in European bond markets and a double-digit coupon, appeared to have been well-received.

NEW INTERNATIONAL BOND ISSUES									
Borrower US DOLLARS	Amount III.	Coupon %	Price	Meturity	Fees	Book runner			
Bank of Tokyo Curacao(f)	225	9	102	2000	2/14	Bank of Tokyo Cap, Mikts			
Sanwa International Fin.(b)	50	94	101%	1996	17/14				
STC Corp.(g)§	30	(けんがわ)	100	2004	25/12	CSFB			
Nippon Express Co.(a) 44	500	33	100	1994	24/12	Nomura Int.			
CANADIAN DOLLARS Federal Business Dev.Bank	35	114	101 4	1992	14/5	See Int.'s Luxembourg			
AUSTRALIAN DOLLARS Treasury Corp.New Sth Wales	350	Zero	14.55	2006	13/4	Hambros Bank			
ECLIS General Motors Acc.Corp.(d) •	100	10	101.80	1993	159/1	SBC			
YEN ·									
C.Cen.Desjardins du Quebec	10bn	6%	1013	1992	13/%	LTCB Int.			
Orix treland Finance(c)	10bn	8	1015	1993	15/14				
Asahi Beer Int. Finance(c)◆	10bn	12	1015	1993	15/14				
ASLK-CGER IFICO(c)◆	35n	Zero	91.1392	1997	<u>2</u> /32	Nippon Credit Int.			
SWISS FRANCS									
Nagasakiya Go.(d) ♦	120	64	1003 <sub>8</sub>	1996	n/a	UBS			
ECSC(e) **	110	6 <sup>1</sup> 2	(e) ¯	1984-97	n/a	Credit Sulase			
Comptoir des Entrepreneurs	50	634	1015	1997	24	S.G. Warburg Sotitic			

##Private placement. With equity warrants. §Convertible. ♦ Final terms. a) Coupon cut by  $\frac{7}{6}$ % from indication, b) One ca Dec. 1991 at 100. c) Redemption linked to Nilkiel stock index. d) Non-callable. e) Launched in four tranches of SF:27.5m each ssue price for issues maturing in 1994, 1995 and 1996 is  $100\frac{1}{2}$ , and in 1997  $100\frac{1}{6}$ . f) One call July 1995 at par. g) Call at 10 in 1992 declining thereafter by 1% until 1994. Put Dec. 1994 to yield 250bp below US Treasury.

**LONDON TRADED OPTIONS** 

contract closed at a 20 point pre-

mium to the cash Index, com-pared with the level on Wednes-

in activity in the derivatives markets. Turnover was concentrated in the FT-SE 100 index option contract, while among the stock options BP also featured.

By the end of the day, a total of 36,083 contracts had changed hands, compared with 27,837 on Mechanday. Thursdayie total was a compared with 27,837 on Mechanday. Thursdayie total was a compared with 12,933 the previous

#### LONDON MARKET STATISTICS

RISES AND FALLS YESTERDAY

FT-ACTUARIES SHARE INDICES												
These indices are the joint compilation of the Financial Times,												
the Institute of Actuaries and the Faculty of Actuaries												
EQUITY OF	OUPS	T	tersda	y Nave	mber :	Wed Nov 29	Nov 28	Mon Nov 27	Year ago (approx)			
& SUB-SEC				Est. Earnings	Bross Div.	Est. P/E	xd adj.					
Figures in parentheses stocks per se		index No.	Day's Change %	Yield% (Max.)	Yield% (Act at (25%)	Ratio (Net)	1989 to date	index No.	index No.	index No.	hadex No.	
I CAPITAL 6880S (26	5)	875.51	+1.1	12.48	4.85	9.51	29.58	865.84	865.98		777.88	
21 Brüldina Maturiale i	DR) !	784E 27	+2.4	15.23	5.36	8.19	36.22				954.75	
3 Contracting, Constru 4 Electricals (10) 5 Electronics (30)	CLION (37)	2472 44	#8.I #1.3	17.83 11.62	5.56 5.02	7.36 11.41	56.19 83.50	1390.78 2447.61		1380.90 2393.27	1473.74 2348.68	
5 Electronics (30)		1925.11	+1.8	1 9.29	3.67	13.84	51.54			1896.09		
6 Mechanical Engineer	ing (53)	455.18	+8.6	12.34	5.02	9.87	15.76		453.19	448.10	499.27	
6 Mechanical Engineer 8 Metals and Metal Fo	orming (6)	459.02	+1.2	25.69	6.52	4.39	22.51	453.53	453.66		471.38	
GPM (17)		164 74	+1.5	10.94	4.77	10.71	11.84	360.25	357.49	354.13	268.24	
10 Other Industrial Mat 21 CONSUMER SHOUP	eriais (24)	1648.82	+0.9	10.10	4.56 3.52	11.68	54.13 31.74	1634.85 1266.15		1615.65 1248.88	1309.30 1928.39	
22 Brewers and Distiller 25 Food Manufacturing 26 Food Retailing (15). 27 Health and Househol 29 Leisure (35).	C (23)	1461.47	+1.9	9.35	3.47	13.33	29.39			1419.82	1138.97	
25 Food Manufacturing	(20)	1127.23	41.7	9.39	3.98	13.35	36.30			1093.22	924.85	
26 Food Retailing (15).		2248.82	+1.1	9.29	3.17	14.23	49.99	2263.25	2254,14	2223.06	1888.61	
27 Health and Househol	d (14)	2684.87	+8.3	6.07	1,88	19.62	44 <u>.72</u>	2596.62		2553.56	1793.97	
29 Leisure (35)		1542.23	+1.1	8.27	3,67	14.87	41.42	1564.35		1548.B5		
32 Packaging & Paper ( 32 Publishing & Printin 34 Stores (32)	-70	242.89	+8.2 +8.5	12.29 8.55	5.39 4.78	18,19 15,12	28.37 119.20	534.77		532,84 3618,34	528.99	
28 Chara (22)	1 LLOV	744.24	41.3	11.86	4,74	11.78	25.94	776.90		764.73	693.71	
35 Textiles (14) 40 grHER GROUPS (95 41) Agencies (17) 42 Chemicals (22) 43 Conglomerates (14)		512.66	+2.8	11.21	5.78	28.82	21.23	583.38	498.56	493.52	468.39	
40 OTHER GROUPS (95		1139.84	+9.7	10.59	4.57	11.44	31.95	1131.79			891.10	
41 Agencies (17)		1518.23	+9.2	6.93	2.49	17.71	27.91			1493,42		
42 Chemica(s (22)		1200.45	+0.5	12.65	5.32	9.29 11.11	47.58			1186.82 1626.54		
43 Conglomerates (14)		1070.JZ	+0.2 +1.5	10.61 16.82	5.21 4.36	11.79	39.29 48.85			2126.81	1878.18	
47 Telephone Nationals	2)	1117 48	18.8	71.18	4.59	11.43	22.38		1894,72		997.15	
48 Miscellanéous (27)		1886.84	+1.0	9.30	4.36	12.13	64.78			1838.56		
45 Transport (13) 47 Telephone Networks 48 Miscellaneous (27) 49 INDUSTRIAL GROUN	(485)	2148.84	+1.0	19.31	4.15	11.96	32.16	1137.34	1132,67	1123,43	939.88	
51 011 & Gas (15)		2249.31	18.5	9,63	5.09	13.73	96.40	2238,42	2244.31	2244.98	1701.67	
59 500 SHARE INDEX		1241.05	+8.7	18.21	4.28	12.18	37.40	1229.53	1225.66	1217.15		
A THE PARTY OF THE	max\		+0.4	-	5.21		29.23	888.20	797.85	787.74	683.57	
62 Banks (9): 65 Insurance (Life) (8): 66 Insurance (Composite 67 Insurance (Brokers) (	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	838.51	-0.3	28.59	6.00	6.38	35.17	841.67	828.04	821.94	674.51	
65 Insurance (Life) (80	<u></u>	1372.66	19.9	-	4.84	- 1	47.56	1368.93	1345,78		921.48	
66 Insurance (Composite	)(7)	699.36	+1.0		5.41		28.34	692.11	673,53	660.31	503.90	
6/ Insurance (Brokers) (	//	442-46	+1.5 +2.6	- 6.66	5.54 3.74	19.98	47.89 10.85	1114.85 449.47	1111.87 443.89	1395.95 439.42	983.21 321.95	
69 Property (49)		1166.56	111	7.89	3.45	16.23	26.21	1165.23	1158.80	1139.69	1279.48	
68 Merchant Banks (11) 69 Property (49) 70 Other Financial (30)		317.53	+8.4	12.86	6.76	18.28	15.88	316_11	314.89	312,77	356.93	
71 (mrestment Trusts (64	77	1255.66 (	+0.5	-	2.79		24.78	1249.48	1244.17	1237.79	913.65	
811 Minino Finance (1)		695.45	+1.3	10.73	3.87	10.47	22.25	686.47	677,48	676.20	568.58	
91 Overseas Traders (7)	<u></u>	1442.16	+0.5	9,58	5.60	11.96	60.11			1411.67		
99 ALL-SHARE INDEX	(698)	138.67	+0.8		4.39	1	35.14	1129.22	1123.52	1115.01	925.65	
		ladex No.	Day's Chasee	Day's High (2)	Day's Low(b)	Nov 29	Nor 28	Mov 27	Nov 24	Nov 23	Year ago	
FT-SE 100 SHARE I	NDEXa					2255.6		2224.3		_		

FIXED INTEREST	AVERAGE GROSS REDEMPTION YIELDS	Thu Wed Nov 30 29	Year ago (approx.)
PRICE The Day's Wed add add add 1989 to day to day	1 Low 5 years	10.32 10.33 9.88 9.87 9.80 9.77	18.40 9.54 9.09
British Government  1 Up to 5 years	4 Medium 5 years	11.34 11.32 10.27 10.27 9.92 9.90	10.80 9.76 9.28
3 Over 15 years	8 Coupons 15 years	11.48 11.47 10.48 10.48 10.06 10.04 9.90 9.84	9.89 9.32
\$ All stocks	Intex-Linked 11 Inflation rate 5% Up to Syrs. 12 inflation rate 5% Over 5 yrs.	3.84 3.84 3.72 3.73	3.70
7 Over 5 years 137.64 +0.24 137.31 - 3.21 4 All stocks 237.68 +0.22 137.38 - 3.11	13 Inflation rate 10% Up to 5 yrs.	2.97 2.96 3.54 3.56 12.94 12.99	2.29 3.53
9 Bebertures & Lane: 186.05 +6.48 105.54 - 10.15	16 Lears 15 years 17 25 years	12.48 12.55 12.12 12.19	11.00
10 Preferent 85.32 +0.09 85.24 - 5.36	18 Preference	10.76 10.77	10.74

British F Corporat Industria Financia Oils Plantatic Mines Others	ions, Do	opertie	 	Rise 36 433 186 34 0 21 53		Falls 41 2 303 122 17 1 60 94			Same 25 31 863 368 42 81 106		
10ta	ls		OND	ISS		_	<u>-</u> -		.,524		
EQUI	TIES										
	i'ut Late Hd Remo Dati		9899 Low	5	lock	Closing Price	+ar	Het. Dir	Time: Oprid	Groe Yiek	P/E Racio
975 F.	P. – P. – P. –	78 83 25% 84	51 81 18	44k Louis	Dasen B Wts 50 Stinction 50 nts 1993/94	78 83 18	+4 +2	12.25	25	3.6	12.6
(75 F.) (20 F.) (21 + 12 F.) (22 + 15 F.) (23 + 15 F.) (24 + 15 F.) (25 + 15 F.) (26 F.) (27 + 15 F.) (27 + 15 F.) (28 + 15 F.) (28 + 15 F.) (29 + 15 F.) (29 + 15 F.) (20 F.) (	P.   - P.   - P.   -	150 102 -91	76 146 95	48aris Hist 48estuiki (	s 10p Ierinak 9fis	150 150 102 90	•	85.5 1.8	27 59 36	4.9	95 95
982 F. 1756 F. 100 F.	P.   - P.   2/11	1 .91 23 1 .91	146 95 86 46 56	ACIA Group CRT Group ACambridge Drayton Asi	50	90 466 166 156 157	+2 -1 -5	625 6071 <sub>2</sub> %	3.6 14.8	3.7 0.5	9.9 16.7
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Wednesday. Thursday's total was divided between 19,179 calls and 16,904 puts. The gains posted on the stock market flushed out a number of investors who had been short, prompting them to buy nearmonth FT-SE call options. Activity increased before the close, with the futures market leading the way. The December FT-SE tutures							pared with 12,293 the previous day. The busiest series was the December 2,300 call, which traded 1,710 contracts.  The recent stability in turnover on the stock market was reflected in Wednesday's open interest figures. The total number of contracts outstanding at the end of the day amounted to 769,845, compared with 763,787 at the				traded 1,800 contracts.  Lonrho also featured, as one investor sold 500 December 309 calls at 3p. This was reflected in the turnover figures, which showed 885 contracts changed hands. Of these, 869 were calls, 16 were puts, and the December 309 call series was the busiest.												
<b>Option</b>			CALL!			PUTS Apr	<b>J</b>	Option			CALLS Apr		<b></b>	PUTS Apr		Option			CALLS May	<b>.</b>		PUTS May	
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#### **UK COMPANY NEWS**

Extensive and varied portfolio helps cushion effects of market slowdown

### MEPC meets City forecasts with 22% rise

By Paul Cheeseright, Property Correspondent

MEPC, the second largest British property investment and development group, yesterand development group, yester-day delivered an increase in net asset value and profits of

more than 20 per cent.

The general performance was well in line with that achieved by other property groups and fitted in the middle of City predictions. The figures were not high enough to stimulate the market price, nor weak enough to depress it. In a slug-gish sector, MEPC gained 8p to

The share price is thus at a substantial discount to the historic net asset value, which at the end of September was 881p, compared with 727p a year

Pre-tax profits in the year to September rose 21.7 per cent from £104.8m to £127.5m. Earn-ings per share rose to 27.8p (22p). The final dividend of 12.25p raises total payments for the year to 17p (14.5p). MEPC commented that it

had been operating in a market where the growth rate had been slowing — indeed the return on shareholders' funds during 1988-89 was 24 per cent against 40 per cent in 1987-88. Like other property groups recently reporting, MEPC gave a quiet warning that 1989-90 might not be a brilliant year.



James Tuckey (left), managing director, and James Beverldge, finance director

slowing down under the pressure of high interest rates. We are a service business and can-not insulate ourselves from the fluctuating fortunes of our cus-

tomers." Sir Christopher Benson, the chairman, told shareholders. For all that, Sir Christopher

the group in the forthcoming year are promising." Like the other large investment groups, MEPC can rely on a extensive

At the end of September this portfolio was valued at £3.6bn. of which £3.13bn was invest-ment properties. The valuation at September 1988 was £3.08bn. By value, 29 per cent of MEPC's properties are in the West End of London, arguably the most resilient of the different London markets. Just under 21 per cent are in the City of London and another 24 per cent are in south-east England. The uplift in the value of British properties has reduced the proportion of over-seas properties in the portfolio - they now account for 16 per

The portfolio generates its own development programme and 70 per cent of MEPC devel-opments have originated from this source. The total programme, overwhelmingly con-centrated in the UK, will cost £1.4bn. But, says MEPC, "it remains our objective to increase the proportion of the group's assets overseas."

MEPC's not gearing is 32 per cent. It has joined other prop-erty groups in ensuring that its exposure to high interest rates has been reduced by caps and swaps. At the year end 8 per cent of its borrowings were at a variable rate. The average

interest rate on its borrowings is 10.5 per cent. See Lex

#### **US** earnings boost Chief quits Scapa to over £20m as B'ham Mint falls By Andrew Bolger

September 30.
Turnover rose 7 per cent to £134.92m (£125.69m). A 17 per cent increase to £13.87m in operating profit from North America helped to offset a 5 per cent drop to £5.33m in the UK.

Mr. Bill Goodall, chairman, said: "Overall the second half of the year has started well and order books remain

strong."

He added that the European and American paper industries were experiencing respectively their best and second best year

their best and second best year ever for output and both had held up encouragingly, although there was evidence of downward pressure on paper prices and stock build-up as large new paper machines had come on stream, with immediate and substantial increases in capacity.

UK results in the first half had been depressed by exceptional rationalisation costs and the benefits of this would show

the benefits of this would show

into loss SCAPA GROUP, SCAPA GROUP, the Blackburn-based manufacturer of specialist products for the paper and printing industries, increased its pre-tax profit by 10.5 per cent, from £18.14m to £20.07m, in the half year to By Richard Tomkins,

MR COLIN Perry, executive chairman of Birmingham Mint, the electronics and engineering group, yesterday resigned as the company plunged into losses for the half-year to September 30. The announcement came after the stock market close, so the shares were unchanged

Midlands Correspondent

at 109p.

Mr Perry resigned at a board meeting yesterday afternoon as he and his fellow directors studied figures showing that the previous year's static pretax profits of £1.65m had tarned into pre-tax losses of \$2500.000.

E599,000.

Karnings per share of 7.7p turned into a loss per share of 2.7p, and the board decided to cut the interim dividend to

ont the interim divided to 0.5p (3p).

Mr Tony Cross, a non-executive director since 1984, becomes non-executive chairman, and Mr Harry Bahner, managing director since October 2, takes over Mr Perry's executive duties. executive duties.

executive duties.

Mr Cross, who is chairman and chief executive of Centreway Trust, a Midlands development capital group, said that Mr Perry had regarded his position as untenable once the board had voted to reduce the interim divided as a director.

"He resigned as a director.

"He resigned as a director and his service contract has been terminated by the board. The directors will be entering into negotiations with regard to compensation in due course," said Mr Cross.

Birmingham Mint warned in October that interim profits would be sharply down, but the outcome was much worse than expected. Mr Cross said the high level of UK interest rates had

caused de-stocking among the group's customers in the building products, DIY and consumer sectors in the early summer, and this had carried through to the autumn "with a

Worst hit were Electro-Pre-cision Components, the electri-cal contacts arm, which saw a 25 per cent cut in volume, and Nevin Lonsdale, the printed circuit board maker.

through in the second half, the through in the second hair, the chairman said. In any case, only 20 per cent of Scapa's turnover was sold in the UK.
Earnings per share rose by 12.5 per cent to 7.1p (6.3p), and the interim dividend matches

that by moving up to 1.43p

• COMMENT

Having been under the cosh from currency effects for five long years, Scape was yester-day able to say that exchange rates had boosted its North American profits by £1m and that the outlook for the dollar and sterling seems likely to help the group for the forsees-ble future. Analysts were slightly disappointed by the UK figures and will be keen to see the second half improvesee the second nair improve-ment promised. Scapa's shares-closed at 156p, up 2p. The paper industry may be near the top of its cycle, but Scapa's small UK exposure should help to insulate it from any domes-tic recession. Forecast full-year profits of £44m and earnings of 16p put it on a multiple of just under 10 – not unreasonable given Scapa's overseas blas and advantageous currency

#### Retail losses put Bennett & Fountain £8m in red

By Nikki Tait

THE HORROR story behind an rearlier profits warning from Bennett & Fountain was spelt out yesterday as the electrical goods distributor disclosed a £10.7m loss before tax in its retail division and a £7.88m deficit for the group granul deficit for the group overall
after sharply increased interest
charges in the year to July 1.
B&F also revealed that
accountants Ernst & Young

have qualified the accounts of the retail subsidiaries "in relathe retail subsidiaries in reaction to the adequacy of recording sales and receipts". The qualification will be reflected by the holding company's audi-

tors in their report. B&F's explanation is that its computer system broke down twice towards the end of 1988, in one case for about 14 days, which had "a dramatic adverse effect on the accounting con-

trols in the division".

The full year results show sales of £57.3m (£31.7m) on the

retail side, but a loss after interest of £10.7m (£1.81m profit). The company is planning to rationalise the division, originally comprising 156 stores, and yesterday announced that seven stores had been sold since July for £1.7m cash, against a net book value of £1.05m.

B&F has also sold its rental

business, plus a further 14 out-lets to Thorn-EMI for about

saw sales up from £34.2m to £46.4m, but "restructuring costs" pushed pre-tax profits down to £2.78 £3.49m). A small wholesaler with six outlets, AES Electrical, is being acquired for an initial £950,000 and an additional maximum ferred profit-related payment

of £900,000. There is no final dividend (0.7p), but the shares gained 1p

### Remaining B&C stake helps Caledonia improve 34%

CALEDONIA INVESTMENTS, the holding company con-trolled by the Cayzer family, pushed up profits by 34 per cent in the first half of 1989-90, making £16.37m against

£12.24m last time.

Earnings per share for the six months to September 30 were 12.34p (9.4p) and the company – which this week staked a claim to buy part of the Sealink Isle of Wight ferry

MR ANDREW Greystoke has resigned as chairman and chief executive of City & Westminis-ter Group, the corporate

finance company - only five months after obtaining a USM quote by reversing into A&M,

the loss-making theatrical sup-

the latest twist in a colourful City career which has seen him work for Slater Walker, the

financial conglomerate which crashed in 1974, and he head of

His resignation comes after a

flurry of deals since the summer flotation, which have seen shares in CWG plunge from 7p to yesterday's close of 2½ p.

Mr Greystoke has been replaced as chief executive by

Mr Aaron Gershfield, who founded Archford Investments,

a consumer protection and

ald Ronson's Heron Group.

By Andrew Bolger

service - declared an interim dividend of 4p (3.5p). However, Lord Cayzer, Caledonia's chairman, repeated his warning that it would be diffi-

cult for the UK to avoid a hard economic landing.
The bulk of investment income in the first half again came from Caledonia's reducing investment in British & Commonwealth Holdings preference shares. Caledonia sold

Greystoke resigns CWG chair

vices subsidiary which Mr Greystoke brought to the

enlarged group.

Mr Gershfield said the part-

ing of the ways had come because, although the Archford businesses had achieved the

profits forecast at the time of the flotation, C&W Financial had signally failed to do so.

Last week it was announced that Mr Greystoke and other

talks with a view to arranging a buy-out of C&W Financial. Mr Gershfield said yesterday

that he still hoped that such a buy-out could be arranged by Mr Greystoke, but if that was

not possible CWG would aim to dispose of the assets of C&W Financial and concentrate on

Less than a week after the flotation, CWG took a 15 per cent stake in Parrish, the

regional stockbroking group,

SCAPA GROUP PLC

INTERIM RESULTS

Half year to September 30 1989

Earnings per share up by 12.7%

Pre-tax profits up by 10.6%

→ Interim dividend increased by 12.5% to 1.43p

"Overall the second half year has started well and order

the Archford businesses.

computer services company. It is the main subsidiary of CWG along with City & Westminster Financial, the financial ser-

most of its large stake in B&C from £59,000 to £2.8m.

two years ago.
The preference shares paid £10.5m in the first half. That was roughly the same as in the equivalent period - in spite of the fact that the number of shares was reduced - because of a higher coupon on the out-

standing investment. Overall investment income increased to £14.07m (£12.86m) and interest receivable rose

rate finance group, paying 225p a share, a premium over the market. Mr Greystoke pro-

posed a merger with UTC but the talks were later called off

and UTC shares are currently at 107p, which amounts to a

book loss of over £800,000 on

the UTC stake. Mr Greystoke, who was not

available for comment yester-day, tried to obtain a quote for CWF in 1986 by reversing into

Bremner, a shell company which was chaired by Mr James Rowland-Jones. But Mr

criticising Mr Greystoke's record as a director of Bremar

Holdings, a licensed deposit taker since liquidated.

Sally Morgan and Mr Anthony

Philips have resigned as direc-

tors of CWG. Mr Christopher Kirkham-Sandy, who joined CWG only last month on sec-

ondment as finance director,

has also resigned. Mr Michael Bancroft has been appointed

finance director.

As well as Mr Greystoke, Ms

**O COMMENT** 

As the B&C holding reduces, Caledonia turns its formidable investment talents towards other fields, to replace that staother mads, to require that star-ble income. The group does not comment on individual share-holdings at the interim stage, but should Lord Cayzer's forecast hard landing come about, and the latest investments take

be sufficient to allow the group to continue its progressive dividend policy even without the B&C holding. That must bode well for the investor. Admiring analysts reckon the group should reach £32m before tax in the full year, putting the shares, which jumped 13p to 350p yesterday, on a prospec-tive multiple of 14.

time to build up momentum

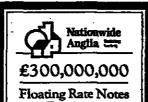
Caledonia's interest cover will

#### **Huntingdon Intl advances 41%**

Huntingdon International, the company which specialises in life sciences and engineering services, yesterday reported a 41 per cent rise in pre-tax profits from £11.19m to £15.82m in the year to September 30. Turnover in the period increased from £60.53m to £81.4m. After tax of £3.39m

(£2.39m) earnings per 5p share worked through at 14.1p (10.4p) and the proposed final dividend of 1.6p makes a total for the year of 2.3p (2.25p). The life sciences segment of the business continued to oper-ate at high capacity and there were no signs of any easing in demand.

There was also a heavy increase in the interest charge from £128,000 to £356,000.



Due 1996 (Second Series) (Issued by Nationwide **Building Society**)

15.2675% per annum

nterest Period: 30 November, 1989 to 29 December, 1989

£5.000 Note due 29 December, 1989: £60.65

Interest Amount per £50,000 Note due 29 December, 1989: £606.5: Agent Bank ring Brothers & Co., Limited

**BANQUE NATIONALE** DE PARIS USD 100 MILLION 9 5/8% SERIAL A

NOTES DUE 1990 AND 100.000 WARRANTS TO SUBSCRIBE **USD 100 MILLION** 9 5/8% SERIAL B NOTES DUE 1990

RECTIFICATION OF OUR NOTICE OF 29 NOVEMBER

Notice is hereby given that pursu-ant to the Fiscal Agency Agreement dated December 10th, 1985 between BNP PARIS and BNP (LUXEMBOURG) SA. the following Notes serie A in the principal amount of USD 31.860,000,- have been drawn by lot and are due for redemption on December 18th, 1989 at the offices of the Paying agents at 100%: 2138 to 8509 included (and not 8510 as formerly advised)

The Fiscal Agent
BANQUE NATIONALE DE
PARIS
(LUXEMBOURG) S.A.



This announcement appears as a matter of record only.



## Nigerian Agip Oil Company Ltd.

U.S. \$500,000,000

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Lead Managers

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Banca Commerciale Italiana London Branch

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Consorzio di Credito per le Opere Pubbliche-CREDIOP Banque Nationale de Paris (Luxembourg) SA Cassa di Risparmio delle Provincie Lombarde-CARIPLO London Branch • Credit Lyonnais

NCNB Texas National Bank

Australia and New Zealand Banking Group Limited 
BACOB Savings Bank S.C.

Banco di Napoli • Credito Italiano-London Branch

The Royal Bank of Canada Group Sanpaolo-Lariano Bank S.A.—Luxembourg

Citicorp Investment Bank Limited

November 22, 1989

Agent

CITICORPO

Copies of the Interim Report are available from the Company Secretary 123 SCAPA GROUP PLC 123 Cakheld House 52 Present New Road Blackburn, Lancashire BB2 6433

books remain strong".

R W Goodall

Chairman



#### **UK COMPANY NEWS**

Near 10%

stake in

changes

AN INTEREST of just under 10 per cent in Spectrum, the computer equipment distributor which has seen numerous stakeholders pass through its share register in recent times, was cold rectuder.

was sold yesterday.

Heatherset, which held
1.69m shares or 9.25 per cent,
sald that it had disposed of its

Yesterday, Mr Alistair Mac-Gillivray, the company's chair-man, said that he did not

know who might have acquired the interest, or

of Man companies and with two individuals living on the Isle of Sark, in the Channel

Islands, as directors.

However, he added that he

believed the beneficial owners to have been a couple of US/ Israeli businessmen, whom the

company had met some time

ether it had gone to a single

hands

By Nikki Tait

### Sovereign debt provisions cut Royal Bank to £228m Spectrum

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against merchant bank, contributed PROVISIONS developing country debt 1534m in pre-tax profits, com-depressed the result at Royal pared to 135,1m last year. The Bank of Scotland Group for the year to September 30. The deduction of 2108.3m left pretax profits at £228.2m, compared with £309.2m in the previous year. However, the result was described by Sir Michael Herries, group chairman, as most satisfactory.

RBS has now made provisions against 75 per cent of its acquired last December, con-4404m of developing country tributed £22.1m. debt. It has also reduced its

Third World debt by £105m in
the past year. Mr Charles Winter, group chief executive, said
the group did not expect to
make further provisions.

Charter house the group's House the investment manage.

advance included £1.8m from stockbroking activities, against a 2400,000 loss previously, capital markets operations made 12m; and development capital £20m. Charterhouse also made £10m from the sale of its stake in Distillers Company. Citizens Financial Group, the US financial services group

ment arm, returned to profits with \$1.2m (loss of \$2.1m). Group assets have grown from £21.66bn a year ago to £27.44bn. The net interest margin was unchanged at 3.1 per cent, while the net interest spread for the group has fallen to 2 per cent (2.1 per cent.) The group's cost/income

ratio has gone up from 62.2 per cent last year to 64.4 per cent, while its risk adjusted capital ratio under BIS is 12.8 per cent (13 per cent). Retained profits were £92.4m (£149.3m). Earnings per share have fallen to 19.90 (26.8p), but the recommended final dividend of 4.8p brings the total for the year to 7.2p (6p).

See Lex

Dublin-based manufacturer and retailer of DIY and build-

tionally placed by Ulster Investment Bank through

entitled to subscribe for the new shares at the offer price on a one-for-four clawback

The net proceeds of the issue will be used initially to reduce borrowings - at end-October these stood at 126.8m - and finance continued growth.

163.7m (162.2m) for the year to end-December. A second interim dividend of 3p will make a total of up from 4p to

Shares in Spectrum were unchanged at 20p yesterday.

### **Eagle Trust airline** to be wound up after rescue fails

By Richard Tomkins, Midlands Correspondent

Bristol-based charter airline, until recently controlled by for-mer Eagle Trust directors Mr John Ferriday and Mr Richard Smith, is to be wound up with the loss of 170 jobs. This follows the collapse of a rescue plan launched in early Novem-

About 130 employees were made redundant yesterday and the remaining 40 are expected to leave when Paramount's contract to supply a Boeing 737 and crew to Ansett, the Australian domestic airline, runs out. Paramount was put into

administration — a form of receivership — in August when it was overtaken by a financial crisis. This coincided with the launch of a Serious Fraud Office investigation into a missing £13.7m at Eagle

Mr MacGillivray commented that enquiries had shown Heatherset to be a company registered in the Irish Repub-lic, in turn owned by two like Paramount became involved in the SFO investigation when the administrators - Mr Roger Powdrill and Mr Joe Atkinson of accountants Spicer & Oppenheim — found that unexplained payments worth several million pounds had been made by the airline to other companies controlled by Mr

Perriday and Mr Smith.

PARAMOUNT AIRWAYS, the less tried to find a buyer for the airline and at the beginning of November it appeare that they had met with partial success when a management-backed consortium made an offer of £1.55m for most of its

> Yesterday, however, Mr Pow drill said the consortium had withdrawn its offer and there were insufficient funds within the business to keep it going. Mr Powdrill said he thought the collapse of the offer had been prompted by the consor-

> tium's difficulty is securing guaranteed flying for the win-ter season in the face of a glut of aircraft. Charter airlines generally, he said, were in a state of uncertainty with the downturn in holiday business. Paramount had also been

caught up in a complex legal dispute with Bristol and Birmingham airports which had resulted in two of its aircraft being impounded but Mr Powdirect cause of the consertium's withdrawal.

The administrators are trying to recover the unexplained payments made by Paramount as a prelude to winding up the business. The process is likely to take more than a year. requirements of the Council of The International Stoci Exchange of the United Kingdom and the Republic of reland Limited ("The Stock Exchange").



Placing of £80,000,000 10% per cent. First Mortgage Debenture Stock 2012 at £89,650 per cent., payable as to £30 per £100 nominal on acceptance and as to the balance on or before 6th March 1990.

The Council of The Stock Exchange has granted permission whole of the above Stock to be admitted to the Official List. In accordance with the requirements of the Council of The Stor Exchange at least two market makers will be offered participation : the marketing of the Stock.

Listing Particulars of the Stock will be circulated in the Extel Statistical Service from 1st December, 1989 and copies may be obtained during normal business hours on any weeklay (excluding Seturdaya) up to and including 14th December, 1989 from:

> Brixton Estate plc, 22-24 Ely Place, London EC1N 6TQ

J. Henry Schroder Wagg & Co. Limited, 120 Cheapside, London EC2V 6DS

Cazenove & Co. 12 Tokenhouse Yard London EC2R 7AN

Rowe & Pitman Ltd., 1 Finsbury Avenue, London EC2M 2PA

up to and including 5th December, 1989, for collection only, from Company Announcements Office, The Stock Exchange, 46 Finsbury Square, London EC2

### Grafton I£7.2m placing and open offer

and retailer at DIT and building products, yesterday announced a 127.2m (26.77m) share placing and open offer involving the issue of 3.12m new ordinary shares at 12.3

Existing shareholders are The directors are forecasting tax profits of not less than

Charterhouse, the group's House, the investment manage-

#### Downturn at Stoddard **Sekers**

Stoddard Sekers, Scottish based furnishings manufac-turer, reported a cut in both profits and sales for the six months ended September 30. Group pre-tax profits were down from £1.37m to £1.16m,

and sales were reduced from £28.3m to £21.63m, largely as a result of businesses sold. However, sales of £21.6m (£22m) and operating profits of £1.47m (£1.48m) are more similar to those achieved by the continuing businesses last year, and the company attri-butes its static performance to high interest rates and reduced

Results for the second halfwill be enhanced by a one-off pension refund in excess of

Elm before tax.

Earnings per share were reduced at 1.5p (2.1p). The interim dividend remained unchanged at 0.55p per 10p

#### higher at £1.2m

Including the results of its with fall to £702,000 Giles International, electronic instrumentation manufacturer. saw pre-tax profits for the six months to September 30 higher at 51,18m, against 594,000. The results were achieved despite high interest sates and expansion and restructuring

Turnover was £14.3m (21851m). Earnings per shares were 8.28p (7.06p) and the interim dividend has been raised to 1.25p (1.05p).

#### Castings rises to £1.43m but cautious

Castings, supplier of iron eastings to manufacturing industries, increased taxable profits by 25 per cent from £L14m to £143m in the six months to September 30 on sales up 19 per cent from £9.22m to

The directors warned, how-ever, that demand had since fallen due to uncertainty in the engineering and metor indus-

They have raised the interim dividend to 2.2p (1.75p) on earn-ings per 10p share of 9.01p

#### **NEWS DIGEST United Drug** improves to I£2.05m

Reflecting a year of continued development in each of its four divisions, USM-quoted United Drug increased its pre-tax profit from IE1.43m to IE2.05m,

This 43 per cent advance was made from turnover 16 per cent ahead at I£50.79m (I£48.65m) in the year ended September 30 1989. Earnings were 13.95p (11.45p) and the final dividend is 3.415p for a total of 5p (4.585p).

#### **Dundee & London** nav falls to 319p

Dundee & London Investment Trust had a net asset value of 319p per share at October 31 1989 compared with a previous

After tax of £628,000 (£541,000) net revenue for the year advanced from £1.53m to \$1.81m for earnings of 10.79 (9.02p) per share. The dividend is lifted to 10.5p (8.8p) with a proposed final of 7.1p (5.3p).

### Isopad disappoints

Isopad International, the temperature control group, reported a "disappointing" fall in pre-tax profits from £903,000 to £702,000 in the six months to July 31. Sales slipped from

26.45m to 26.37m. Mr Harry Childerley, chair-man and managing director, said that sales had held up in difficult conditions. Margins had been affected by two factors. The transfer of all UK óduction into one location and not been achieved as quickly or as smoothly as planned and delays in bringing into production a major contract led to unforeseen

After tax of £304,000 (£401,000), earnings worked through at 3.6p (4.9p) basic and 3.2p (4.3p) fully diluted. The interim dividend is lifted from 1.5p to 1.65p.

The outlook for the year was clouded by many uncertainties, said Mr Childerley, including rising inflation, fluctuating exchange rates and the threat of recession.

The directors are proposing to seek authority to buy-in up to 10 per cent of the company's own shares.

MONTHLY AVERAGES OF STOCK INDICES											
#. ·	November	October	September	August							
Financial Times Government Securities - Fixed Interest	83.92 93.21	84.50 94.21	85.79 96.55	87.24 97.77							
Ordinary	1758.0 286.4 23,641	1786.7 203.5 25,284	1959.6 206.0 25,869	1960.3 199.6 28,315							
F.TActuaries Industrial Group 500 Share Financial Group All-Share	1125.05 1212.80 775.35 1108.38	1136.00 1223.70 757.14 1110.88	1246,34 1329,32 614,10 1204,37	1243,46 1323,05 799,71 1196,36							
FT-SE 100	2205.5	2201.8	2378.5	2363.9							
	Nov.	High	Noy.	Low							
Ordinary	1805.6 1138.67 2275.5		.1731,3 1085,73 2154,1	(2nd)							



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CITIZENS FINANCIAL GROUP, INC.

US regional bank holding company based in Rhode Island

## Strong performance and growth: significant progress in **Europe and the United States**

The year to 30th September 1989 has once again been a successful one for the Group despite the slowdown in the U.K. economy which I predicted in my interim statement. This has continued and indeed intensified. Against this background, we have considered it prudent to make a number of provisions in respect of customers who are experiencing problems. Following these, we have recorded an increase in profit of

£27.3 million to £336.5 million which, in the circumstances, is highly satisfactory. From this figure we are deducting an exceptional specific provision in respect of lending to countries in payment difficulties. This represents the culmination of a programme commenced in 1986 and we do not consider that any further exceptional provision for this class of lending should be required. A profit of £147.5 million remains after taxation which enables us to recommend a final dividend of 4.8p per share, to give a worthwhile increase of 20% for the year.

#### Performance and developments

We have implemented key strategic initiatives and have also increased crossselling opportunities among our subsidiaries.

Much has been done to build on the achievements of 1988 in the U.S.A. and Europe. Citizens Financial Group, acquired in December 1988, has already demonstrated that it will serve as an ideal flagship for controlled expansion in the U.S. retail banking market.

In Europe, our alliance with Banco Santander was cemented further when it increased its stake in the Group from 2.5% to almost 10%, to become our largest shareholder. The benefits of the alliance are evident at many levels, such as the establishment in July of a jointly-owned bank in Gibraltar, managed by The Royal Bank of Scotland.

Life assurance had been identified as a potential market for expansion and, in September of this year, we announced the establishment of a new joint venture life company in conjunction with Scottish Equitable Life Assurance Society, one of Scotland's major life offices.

#### FINANCIAL HIGHLIGHTS

£228.2m	30.9.88 £309.2m £309.2m
£228.2m	£309.2m
	<u></u>
514 <b>7</b> 1	£192.5m
C 1 4 7 1	£192.5m
£14/.IM	
£27.4bn	£21.7bn
29.4p	26.8p
7.2p	6.0p
	x4.5
	-

#### Balance sheet strengthened

Our balance sheet has been strengthened by the issue of U.S.\$200 million noncumulative preference shares and the capitalisation of revaluation reserves, together with loan capital issues totalling U.S.\$650 million. As a result our capital ratios comfortably exceed the requirements of both the Bank of England and the Bank for International Settlements in Basie.

#### Future outlook

During the coming years we intend to broaden our horizons by building on our existing international operations.

Whilst the slowdown in the U.K. economy will make for difficult trading con-

ditions in the coming year, I am confident that planned developments will provide a sound basis for future growth, and that we will continue to consolidate our position as one of the leading U.K. financial services groups, having our headquarters firmly established in Scotland.

Sir Michael Herries Chairman, The Royal Bank of Scotland Group plc

## The getting of wisdom from Pearl Osborne &

Patrick Cockburn on the UK insurance market since AMP's coup

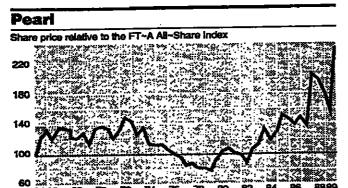
OES THE takeover of Pearl Group by Austra-lian Mutual Provident mean open season for foreign buyers looking at the rest of the British insurance industry? Within 24 hours of AMP's victory the signs were omi-nous. Generali of Italy had bought into Guardian Royal Exchange and Athena, the French insurance group, had raised its stake in Refuge

over has underlined as never before the vulnerability of UK composite and life companies compared to the rest of Europe. As the major European insurance companies look beyond their own frontiers in the lead-up to 1992, the UK companies are the most obvicompanies are the most over-ous target. This gives particu-lar significance to the way AMP took over Pearl. Could the British company have defended itself better or was the Australian victory inevita-ble?

This is of more than historic interest since other British insurers may soon find them-selves in the same position. In the aftermath of defeat Pearl's defence obviously looks inadequate, but from the beginning its moves to counter AMP were tardy. To have real impact the main plank of Pearl's defence - that both the market and AMP's bid sericompany - needed to be produced early.

By the time the 765p-per-share appraisal value was unveiled on November 14 it was probably already too late to change shareholders' minds about Pearl's value, all the more so when AMP raised its bid to 690p a share two days

Last-minute assertions about the company's embedded value sounded too much like actuarial mumbo jumbo.



DIRECTORS OF Australian Mutual Provident and Pearl Group yesterday began preliminary discussions as the £1.24bn takeover offer for the UK insurance company was declared unconditional. writes Ray Bashford.

writes key nashrord.

AMP, Australia's biggest insurance group, won control of Pearl on Tuesday when it launched a second market raid and hoosted its holding to 55.3 per cent of the capital. Pearl is writing to shareholders advising them to accept the 690p-per-

Mr Einion Holland, chairman of Pearl, said that the talks with Mr Einion Holland, charman of Pearl, san that the tales with AMP had begun so as to ensure that the interests and expectations of policyholders were secure. "They [AMP executives] have told me that it is their intention to expand Pearl by developing its business," he said. "The expansion envisaged for Pearl should, I believe, enhance opportunities for Pearl's management and staff," he added.

actuaries usually do," says Mr Tom Bennett, insurance analyst at Paribas. There is retro-spective wisdom here but it is still surprising that Pearl did not ready its appraisal value soon after AMP raised its stake in Pearl to 18 per cent in June. How relevant, in any case, was Pearl's appraisal value to

the outcome of its struggle with AMP? Accepting that the nature and value of the future busi-ness of a life company is differ-ent from other companies, the calculation is still subjective and looked all the more so compared to AMP's hard cash.

"Pearl is run by actuaries With so many other financial and they did everything that institutions moving into life institutions moving into life insurance, the past perfor-

mance of companies such Pearl is not necessarily a true guide

to future performance in the

By lifting its final dividend 67 per cent more than the previous year, Pearl also under-lined how little it had done prior to the hid to convince shareholders that it was worth more than the market said. Pearl was also clearly ham-pered in its defence by its reputation as a sleepy life company where its potential might be better realised by an AMP-ap-

Much of this criticism was

unfair or, at least showed exag gerated expectations of what can be expected from the UK's quoted home service insurers.

A life insurer like Pearl with

its 6,000 door-to-door salesmen cannot quickly improve effi-ciency as Prudential Assurance has discovered over the past six years. And at times Pearl's lack of adventurism turned out to be beneficial. The sales force did sell 120,000 personal pen-sion policies in six months this year but it remains doubtful that AMP will able to make any radical changes for the

etter at Pearl. This is small comfort for Refuge Group, Britannic Assur-ance and London & Manchester, the three other home service insurers, also seen as being under threat. They are better protected by cross-share-holdings than Pearl, but recent realignments within the European insurance industry pean insurance industry—
such as the purchase of
Colonia Versicherung by
Groupe Victoire—are typified
by the very high prices paid
rather than any obvious bene-

fits in efficiency.

Even the link-up last week between Compagnie Financière de Suez and Baltica Holdings of Denmark, creating Europe's second largest insurance grouping, looks as likely to create a messy conglomerate rather than any real cross-mar-keting of financial products.

The lack of any real finan-cial logic behind AMP's bid for Pearl or Groupe Victoire's takeover of Colonia makes the degree of threat faced by the rest of the British insurance industry difficult to predict. British composites are cheap

and a growing proportion of UK savings are going into life products but the real momentum for change in European insurance companies is more to do with the impulse to grow scale they may obtain.

### Little falls back to £730,000

THE RECESSION in the UK housing market hit Osborne & Little, wallpaper and furnishing fabries manufacturer, in the half year ended September 30 1989, with pre-tax profits falling from £967,000 to £730,000.

And it was "difficult to be other than cautious" about second half trading, said Sir Peter Osborne, chairman. But he believed that development within the group provided excellent opportunities for the

Turnover moved up from 25.72m to 26.47m. Within that, UK trade sales fell 6.5 per cent and retail in the UK fell 26 per cent — that was also affected Retail, on which gross mar-gins are higher, accounted for only 7 per cent of the total, against 12 per cent last time. Overall margins in the UK improved slightly but higher operating costs were incurred principally in strengthening management, and in additional strengthening management, and in additional strengthening management, and in additional strengthening management.

in the US sales were 33 per cent higher in dollar terms (46 per cent in sterling), Fardis, the July French acquisition. had turnover of £798,000, and sales to other European countries were up 13 per cent Earnings were 6.57p (8.83p) and the interim dividend is

#### Sims Foods expands

again 2p.

Sims Foods has acquired DW Norbury (Holdings), a Man-chester-hased catering meats business, for £375,000 via the issue of 136,364 new shares.
Additional consideration, to a
maximum of £1.2m, depends on turnover in the 12 months

### Sharp rise by US operations lifts Erskine House to £7.6m

By Andrew Hill

MORE THAN half of Erskine House Group's operating profits now come from US operations, following rapid expansion which helped push interim pre-tax profits at the distributor of facsimile and photocopier machines up by 58 per cent to £7.63m.

The US contributed £8.05m (£2.52m) of operating profits, with Europe making up the

(£2.52m) of operating profits, with Europe making up the balance to £11.4m (£5.48m). Operating margins in the US at 13.5 per cent are more than double the European figure of

6.1 per cent.
The first six months to September 30 saw group operating margins improved from 9.6 per

cent to 10 per cent.
This year Erskine is integrating some £90m worth of acquisitions made in 1988-89, the principal reason why group turnover doubled to £114m (£57.3m) in the first

However, there was a large increase in interest charges from £640,000 to £3.75m —

recession in the copier or fax

"Our sales profile is very much in favour of inclusive contracts, with service built into lease agreements," he said yesterday. "That increases the proportion of profit which comes from service and the stability of revenue."

Earnings per share rose from 8.7p to 9.5p, held back by issues of new shares last year, and the company declared an interim dividend of 2.3p

Erskine House's shares have

cover of 3 is as low as Mr McGillivray wants to go, but some still cite the group's gear-ing as a negative point. Others believe Erskine's acquisitive streak last year is now count-ing against it, but then consolidation of the new companies

seems to have reaped benefits in most cases during the first half. In addition, Erskine is not intending to borrow any more cash for acquisitions - nor will the group issue more

paper. Perhaps more relevant is the current unpopularity of small company stocks. If investors can endure that shadow over the company, they should

### Expansion costs hit Plysu

PLYSU, maker of plastic containers and housewares, yesterday announced a 27 per cent fall in pre-tax profits, from £3.65m to £2.65m, for the 28 weeks to October 13 1989. Its shares declined 4p to close at

198p.
Mr James Summerlin, chairman, said the fall reflected the coincidence of the group's expansion plan with a down-turn in consumer expenditure. "The present level of con-

sumer business has led to the growth in demand falling short of the forecasts on which our factory expansion of the past three years was based", he

Group turnover for the division. period was ahead at £31.14m (£28.59m) but higher costs associated with the increased capacity and a rise in interest charges from £357,000 to £800,000 prompted the fall at

the pre-tax level.

Earnings per share fell from 5.9p to 4p but the interim dividend is raised from 0.8p

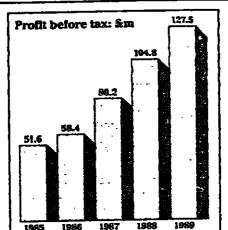
to 1p. Mr Summerlin said the housewares division, which represented about 20 per cent of sales and which was almost entirely consumer oriented, was "very badly hit", as were the consumer products included in the core container

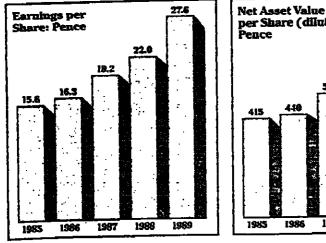
However, the majority of the nowever, the majority of the container division's products were sold to industrial customers and Plysu said there was "no noticeable decline" in this

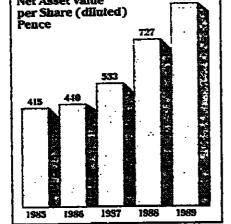
The group's advanced multi-layer capacity was not econom-ically utilised because of the unexpectedly low demand from the agrochemical industry. He said the company had underes-timated the time required for the acceptance of the new products but was confident about their prospects.

# I Coulto

#### SUMMARY OF GROUP RESULTS 252.7 13.6 Gross rents and other income 287.1 21.7 127.5 104.8 Profit before taxation 36.5 32.2 **Taxation** Profit attributable to 69.8 26.9 88.6 ordinary shareholders 25.4 **27.6p** 22.0p Earnings per share 17.2 17.0p 14.5p Net dividends per share Net asset value per share 727p 21.2 881p (diluted)









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### **MERCK AG ZUG**

#### To the Shareholders of Merck AG

Interim Report on the Development of Business as of 30 September 1989

Dear Shareholders

The state of the s We are pleased to submit to you the interim report as of 30 September 1989.

#### 1. MERCK AG GROUP

Similar to the first half of the year, the third quarter of 1989 was very successful for our companies. Compared with the same period last year, sales increased by 18% or Sfr 223 million. This improvement can be attributed to increases in volume and profit margins.

In terms of areas, developments in Europe and the USA deserve a special mention. In Latin America, the low growth measured is attributable to the distorted development of currency and inflation; in real terms, business has increased much more substantially.

The Pharmaceutical Division has been mainly responsible for the strong growth in business. Sales rose considerably in Spain, Great Britain, the Netherlands and at our associated company in Italy. In addition, Chemical and Laboratory Products both achieved growth rates of 13% with outstanding rates of increase in Japan and the USA.

Currency fluctuations of the US dollar and sterling against the Swiss franc have been minimal both in terms of sales as well as profit.

Sales in October 1989 also indicated a considerable improvement over the figures for the previous year. We expect a steady rise in sales for 1989 as a

Worldwide sales by area in millions of Sfr	Actual 1.1. – 30.9.89	Actual 1.1 30.9.88	Change in %
Europe	863	705	+ 22
North America	200	170	+18
Japan	170	149	+ 14
Latin America	189	184 .	+ 3
Other Countries	49	40	+23
Total	1471	1248	+ 18
by divisions			
Pharmaceuticals	567	451	+26
Chemicals	458	404	+ 13
Laboratory	446	393	+ 13

Profit for the third quarter of 1989 reflected the successful result expected. Compared with last year, the increase for the first 9 months of the business year was 21%, with a slight improvement in return on sales. Operating profit and cash flow developed more satisfactorily still. The unstable developments in Latin America prevented even better results.

Following good results in October, we expect a satisfactory rise in profits for

the dusiness year.		-
Surplus for the year	<u>LL -30.9.89</u>	1.i 30.9.89
in millions of Sfr	116	94
in % of sales	7,9	7,6
% increase on previous year	+ 24	

#### 2. MERCK AG ZUG

Earnings from subsidiaries and affiliated companies, as well as earnings from financial and holding business, have continued to increase satisfactoriliy. Although interest expenses for the financing of our subsidiaries have also increased, profit it in accordance with Group development. For this reason, we also expect a substantial rise in profit for the business year

Zug, 1 December 1989

Yours faithfully Prof. Dr. Hans Joachim Langmann President and Delegate of the Board of Directors

#### THE PROPERTY MARKET

### Business parks: here to stay

By Paul Cheeseright

BUSINESS parks have had a for offices moved in over the good run. They have established their competitive position in the office market to make is changing and, in a new such effect that developers' enthusiasm to construct them is posing problems, at least in some areas, of potential over-

supply.

To some extent the developers have been lucky. The whole market was given a new impe-tus by the 1987 changes in the Use Classes Order - eliminating the difference between light industrial, office and research and development use. That in itself made easier the planning process for campus office developments at a time when the office market was

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Business parks had tended to be mixed developments, catering for light industrial and warehouse use. But they had in common low density development, mainly low rise buildings in a landscaped area. From 1987 the office content started quickly to rise. Indeed, around 70 per cent of those using business parks primarily

Year to October 89

Quarter to October 89 Month of October 89

last three years.
But now the business climate is changing and, in a new report on business parks, St. Quentin, chartered surveyor, is cautious about the immediate future for three reasons.

First, "with the UK economy now at best facing a short term slowdown, and possibly more moderate growth into the medium term, it is questionable whether recent rates of office take-up will be sustained into the early 1990s." Second, St Quentin observed

that in its survey of 220 office occupiers throughout southern England, one in three are facing staffing difficulties. But it is in precisely the counties which have the largest business park supply lines that the staffing problem is the most acute — Berkshire, Hampshire, Hertfordshire and Oxfordshire. Given that the prime reason for moving offices, to a busi-ness park or, indeed, another town centre location, is expansion, there is an obvious deterrent to movement if it brings

TOTAL RETURNS (%)

staffing problems in its wake. Third, many office users use cars. One objective of business parks is to provide a green working atmosphere with plenty of space and lots of carparking. But road traffic is increasing. "Some business park locations in the south east, designed to be an antidote to the traffic problems and inadequate carparking of town centres, may well find themselves caught by the spreading tide of congestion on the region's roads in the 1990s,"

said St Quentin. These factors may confuse the competitive position of one business park against another and affect the thinking of potential occupiers on the mer-its of business parks in relation what is certain is that business park development is part of the wider process of satisfying the changing needs of the office user, of re-tooling the office sector. Business parks are here to stay.

Applied Property Research has calculated that by the end

20.9

33.1 7.0

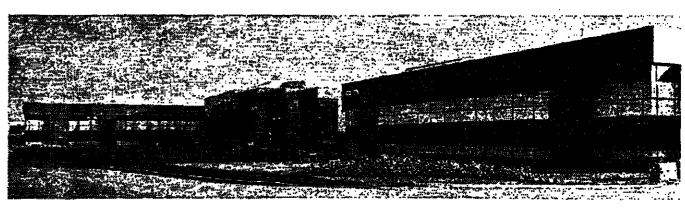
of last September there was 57.5m square feet of business park floorspace completed. roughly equivalent to more than three-quarters of the City of London's office stock. A further 68.6m square feet is in the pipelines of existing schemes. And there is another 179.1m square feet either proposed, in the planning process or with planning consent but not under construction: much of this, of course, will not be

Although the greater part of this potential supply is outside the south east of England, this region has dominated development so far. The south east contains nearly two thirds of existing space or space under

As the stock of business parks has increased, the diver-sity of users has spread. Origi-nally favoured by high technol-ogy companies, business parks are now being used by the financial sector, becoming favoured headquarter sites.

Just as the nature of town centre offices has changed to accommodate electronic equip-ment and growing expectations of better working conditions surrounded by amenities like shops, so business parks have evolved.

"As the potential supply pipelines grow, business park schemes are tending to



Slough Estates. Winash Triangle business park development, near Reading

increase in size, to include more office provision and a wider range of supporting ame-nities," said St Quentin. What is not suitable, if business parks are to lure occupiers away from town centres is a

couple of windswept buildings dumped in the countryside and nothing else.

Studio Land, the Houston land planners, has recently completed for Nomura Securities, a survey in Europe and the US to establish what are the desired amenities. It found that, in this order, landscaping and environment, retail availability, prestigious design and transportation headed the list. But high on the list of demands were recreational and fitness facilities in the building

and adequate parking.
"Service industries are going up in terms of working hours per week," said David Smith, principal of Studio Land. "Hence the need for retail facil-

EVEL

ities and recreational facilities. We're seeing a transformation of the workplace to cope. So you need larger projects to justify the increased amount of recreational facilities."

Yet it is difficult to imagine office users chasing round the country to see which business park has the best gymnasium. On the contrary, office occupiers are very conservative about where they work. If they move they tend not to move far.
Jones Lang Wootton, in its

regular surveys of office users in southern England, has found little desire to shift away from areas where they are well-established.

Financial and business service companies are for the most part wedded to town centres. Weatherall Green & Smith in a survey of City of London office users found that over a quarter of them were dissatis-fied with their premises. But

ferred location for 70 per cent. By contrast, manufacturing and distribution companies tended to be more footloose.

St Quentin's work ties in with this. Looking at compa-nies which had shifted since 1981, it observed that "for a majority, the area of location search had been relatively restricted in geographical terms. Forty five per cent had looked for new premises only within the town or locality in which they were presently located. A further 30 per cent had extended their location search to other nearby towns. Only one in four occupiers had southern England or elsewhere in the UK."

But there appeared to be a greater degree of flexibility when it came to considering the type of accommodation. Four out of 10 occupiers had considered both town centre

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PROPERTY MARKET

office users and of business park users preferred the sort of location in which they were already present.

So, while there does not appear to be a rush out of towns and into business parks there is a degree of looseness in the market. And, in this looseness, cost does not appear to be the predominant factor. It assumes a greater importance only among companies contemplating movement out of central London. Outside London the cost differentials between business park and town centre developments are not huge.

The future of business parks, then, is tied in with other fac-tors. If they are to take a share of the market previously enjoyed by town centres then it is clear that they will have to ensure facilities for those who do not travel everywhere

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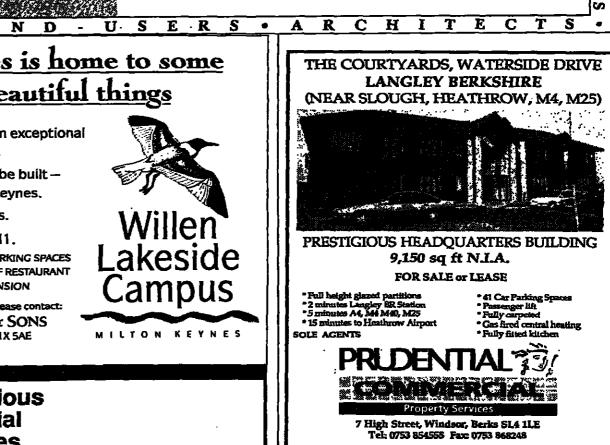
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#### COMPANY NOTICES

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**Subordinated Floating Rate Notes** due 1993 (the "Notes")

Guaranteed on a subordinated basis by Consolidated Press Holdings Limited Notice is hereby given that for the six month Interest Period commencing 30th November, 1989 to 31st May, 1990 the Notes

will bear a Rate of Interest of 9.00% per annum. The Interest Amount payable on 31st May, 1990 will amount to US\$45,500.00 per US\$1,000,000 Note.

London Bran 6 Broadgate, London EC2M 2SX

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SUBORDINATED CAPITAL NOTES DUE NOVEMBER 1996 NOTICE IS-HEREISY GIVEN that for the period 30 November 1989 to 28 February 1990 the notes will carry an interest rate of 8 9/1% pct per amount, branest payable on 28 February 1990 will be USD 1,070.51% per USD 50,000 note,

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Please list separately any companies to which you do not wish your response to be forwarded. All interviews will be held by the client.

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LEGAL NOTICES

the above named company ("the Company") has approved a payment out of capital for the purpose of acquiring its own shares by purchase
 the amount of the permissible capital payment for the shares is quasion in

2 the amount of the permissible capital payment for the shares in question is \$33,000.

3. the date of the resolution for payment out of capital is 18th December 1989.

4. a statutory declaration said auditor's report required by section 173 of the Companies Act 1995 are postable for inspection at the Company's registered office, and

5. any creditor of the Company may at any time within the time weeks immediately following the date of the resolution for payment out of capital apply to the Court under section 175 of the Companies Act 1985 for an order probabilities the payment.

**ART GALLERIES** 

#### **UK COMPANY NEWS**

### Wassall offers £42.2m for MCG

By Andrew Hill

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e-viter! 25.33 WASSALE, the would be industrial conglomerate headed by ex-Henson executives, yesterday launched its first hostile hid, effering \$42.2m in cash and shares for Metal Closures Group, a packaging and printing com-

Birmingham-based MCG promptly rejected the bid, which it described as opportunistic, derisory and totally unacceptable."

Suter, the industrial holding company headed by Mr David Abell, has already agreed to accept the cash alternative of 160p a share for its 29.96 per pent holding in MCG. Mr Christopher Miller, Was-aell's chief executive and a for

mer associate director of Han-son, said Wassall had insisted that Suter take cash for its up so.

appropriate to have a public company holding a large stake in Wassall," he said yes-

The main bid is two Wassall shares plus 170p in cash for every three MCG shares. Wassall's shares closed 10p down at been pushed up artificially by 160p yesterday, valuing each bid speculation surrounding



Christopher Miller: undeterred by the economic climate -MCG share at about 163p, just

shy of the closing price of 165p, nat Suter take cash for its up 80.

The group is also offering "We felt it would not be \$80 in cash for each MCG prefpuropriate to have a public erence share.

Dupany holding 2 large Wassall admitted that the

offer - worth 170p a share at yesterday's opening prices - was not a large premium to the MCG share price, but said the value of MCG's shares had the Suter stake. "We expect to be able to win at this price,"

said Mr Miller. If successful, the bid would nearly double the size of the conglomerate, which already operates an office fur-niture and travel goods divi-

: MCG's principal business is the manufacture of metal and plastic bottle-tops. It also makes plastic packaging and material handling systems, and is involved in pre-press ser-

Mr Miller said Wassali had not been deterred from making the bid by the difficult eco-

"You don't have to be too clever to see that next year is going to be a tough year, even compared with 1989, but the improvements we envisage don't depend on selling more bottle tops," he said yes-

rent board restructured JW Wassall, a footwear retailer, in Wassall criticised decreasing margins and "misgnided acquisitions" at MCG, which reported a drop in interim prof-Wassall is advised by Lazard its, from £3.5m to £2.7m, in September. Brothers and MCG by County

### **Interest charges** limit Mansfield Brewery's advance

pean operations, reducing MCG's dependence on profits from its South African closures MANSFIELD Brewery reported sustained progress in the 26 weeks to September 29, with taxable profits rising 16 per cent from £3.73m to £4.31m. The improvement was achieved despite finance charges £267,000 higher at eral businesses, such as pre-press services or plastic packaging, would be sold off,

The improvement was also limited by a £21,000 loss on the disposal of properties, compared with a £98,000 surplus. Mr Geoffrey Kent chairman of the east midlands, Humberside and South Yorkshire brewer, said the warm summer had provided a stimulus to beer sales. Volumes were in line with the comparable

would constrain the taxable

The increase in finance charges in the first half was due partly to higher interest rates, but mainly to the acceleration in capital spending. Action had been taken to mitigate the effects of current high



period, despite the sale of 21 public houses last year.

Take-home sales were significantly higher and the overall performance had also been helped by the introduction of a transfer of the period was \$\frac{24.58m}{24.58m}\$ (\$\frac{23.31m}{23.31m}\$). After tax of \$\frac{24.58m}{21.51m}\$ (\$\frac{21.3m}{21.32m}\$) earnings per share came out at \$17.5p\$ (\$\frac{15.4p}{21.32m}\$). The interim dividend is

new brand.

For the current six months, as a consequence of the susgiven a reasonable level of tained improvement in results Christmas trade, operating and also to pay a higher proprofits were expected to continue to improve. But Mr Kent stage.

### Lewis's owner lifts Goldberg stake above 5%

FLETSAND, the private - on November 22 This takes company which owns the Lewis's department stores, having bought them out from Sears for Fran last year, has berg, which last autumn saw them we attached to the troubled off an unwelcome hid from taken its stake in the troubled Glasgow-besed retail group, A Goldberg, over the 5 per cent

Fletsand disclosed vesterday 28, gained 7p to 91p. way. offer no further ins that it acquired a further Mr James Fyfe, Fletsand's Fletsand added that it would the reasons for Flets 250,000 shares — 1.46 per cent chairman, described the reopen talks if the Blacks bid est share purchases.

#### Marina Devs ahead to £2.8m

On a 54 per cent advance in earnings, Marina Develop-ments is raising its interim

dividend from 2p to 5p.
Turnover for the period, to
September 30 1969, rose from
54.49m to 27.77m and pre-tax
profit advanced from 52.89m to £2.8m. Earnings were 10.9p

(7.1p). Mr David Heimann, the chairman, said the results included a contribution from Dean & Dyball, acquired on

off an unwelcome bid from Blacks Leisure and has since announced a £4.6m pre-tax loss in the six months to September

co-operation - including merg-

increased interest as "just a lapsed.
trade investment". Yesterday, however, Mr Fyle Fletsand first emerged as a shareholder during the bid, when the company said that it had held talks with Goldberg in the past about avenues of

ing the businesses in some

said contact with Goldberg since the Blacks bid had been restricted to minor matters and that he had no plans to discuss

Wassall would concentrate

on improving margins and expanding the UK and Euro-

He added that Wassall did

not yet know whether periph-

a strategy often adopted by

Hanson after successful

tunity to improve margins and

if you can't there is probably something which is saleable, but if there was a candidate for

disposal we wouldn't go straight in and put it on the block," said Mr Miller yester-

day.
Hanson, which owns a 13 percent stake in Wassall, supports the bid, which would dilute its holding in the enlarged group

to below 10 per cent. Hanson has held a stake since the cur-

"There is always the oppor

arm, said Mr Miller.

the moment. Goldberg said that it could offer no further insight into the reasons for Fletsand's lat-

anything more significant at

### Storm heading for USM

STORM GROUP, creator of the and publishing books and comchildren's cartoon series 'The Shoe People' is joining the USM in a placing that values it

peny to join the market this year, following Poddington, which exploits the adventures;

at £125m.
It is the third cartoon com-

of animated peas, and Sleepy Kids. Storm Group's interests ics. It is also considering devel-oping a theme park and tour-ing theatre based on the Shoe People cartoon, a series describing the adventures of some discarded shoes left in a

menders' shop.
It is now creating other cartoons such as 'Digswell and Daisy' a film about an American girl and her puppy.
Storm also manages the

rights to other cartoons such as 'Budgie Malone and Owl Capone' and 'The Swiney', which feature in a comic called 'Wanted.'

Williams de Broe is placing 10.4m shares at 25p each, rais ing about £2.3m for the company. Dealings are expected to start on December 7. The company is forecasting pretax profits in 1990 of at least £400,000.

#### £35m environment-based investment trust launched

By Eric Short, Pensions Correspondent

THE LAUNCH of the first ever ecology-based investment trust - the £35m Merlin International Green Investment Trust (Migit) - was announced yes-terday,

Investors are being offered 7m units at 500p per unit, each unit comprising five ordinary shares plus one warrant.

Some 4.55m units have already been applied for, mainly from local authority and other pension schemes and various church and other charity funds.

The fund will be managed by

Jupiter Tarbutt Merlin, a spe-cialist in the ecological investment field, with probably the most extensive environmental research department among

UK fund managers. It manages around £450m for private and institutional clients, investment trusts and unit trusts, including the Mer-lin Jupiter Ecology Fund, a green unit trust with a current size of £7.5m.

Investment will be made internationally in environmen-tally and socially conscious companies, with emphasis on companies actively engaged in the environmental protection sector such as waste reduction and pollution control.

As is normal with ethical and green funds, the investments made will be monitored by an Environmental Advisory Committee to ensure they are consistent with Migit's investment philosophy.

The directors expect to rec-ommend a total dividend for the accounting period to December 31 1990 of not less than 2.25p per share (gross yield of 3 per cent).

The offer closes at 10am on Thursday, December 14. Dealings in units are expected to commence on Thursday, December 21, with separate dealings in the ordinary shares and warrants on January 29. The prospectus will be published in immorrow's FT.

#### NOTICE

To all shareholders of Highlands & Lowlands Para Rubber Company Limited ("Para") who have not accepted the proposals dated 27th November 1975 sent out in November 1975 relating to the transfer of the undertaking of that company to Highlands & Lowlands Berhad ("Berhad"):

We have been instructed by Messra A C Parsons and R H V Dixon ("the Trustees") who were appointed to hold centain shares in Berhad under the reconstituction persentent referred to below.

All persons registered as shareholders of Para became entitled pursuant to the terms of an agreement ("the Reconstruction Agreement") dated 17th Nevember 1875 made between Para of the one part and Berhad of the other part to receive shares in Berhad upon signing a form of application and delivering up their certificate(s) for shares in Para.

We are instructed to notify those shareholders of Para who have not applied for their entitlement of shares in Berhad over the last twelve years ("the Shareholders") to obtain from us the form of acceptance relating to the

Whether or not the certificate for shares in Para can be produced the shareholders should nonetheless complete the form of acceptance and send it to:-

The Registrar for Highlands & Lowlands Shd The Royal Bank of Scotland pic P O Box 435

Owen House 8 Bankhead Crossway North

EDINBURGH EH11 4BR as soon as possible (with the share certificate, if available). The Registrar will then be in touch with them regarding the formalities to enable a cortificate to be issued for the Berhad shares.

If we or the Registrars do not receive any application from the shareholders within 28 days after the date of this notice, arrangements will be made as envisaged by the reconstruction agreement for the entitlement of shares to be sold through The Stock Exchange and for the proceeds to be paid into the High Court in London. The shareholders will then be able to claim their entitiement in cash from the funds in court but will have no further claim

This nodes is given by Travers Smith Braithwaite, Solicitors, 6 Snow Hill, London EC1A 2AL. (Ref. RD/PM)

### GRANVILLE

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Kişb	Low	Company	Price	Change	dir (p)	%	P/E
343	295	Ass. Brit. led. Ordinary	336		10.3	3.1	9.1
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117	100	Torday & Carlisle Car Pref	103	ä		3.1	10.4
122	76	Trevian Holdings (USM)	85	45		10.4	
157		Helston Carres Com One	157	72		3.2	9,1

Securities designated CSE) and (USM) are dealt in subject to the rules and regulations of The ISE. Other securities listed above are dealt in subject to the rules of TSA. These steartiles are dealt in strictly on a matched hargain lossis, Neither Grain/Ne & Co. Limited nor Grannille Daviet Limited nor matrice makers in these securities.

\* These securities are dealt on a restricted basis, Further details available

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#### **COMMODITIES AND AGRICULTURE**

### Bougainville mine to be held in state of readiness

By Kenneth Gooding, Mining Correspondent, in Perth

THE HUGE Bougainville copper and gold mine in Parua New Guinea, which has been out of action since May 15 because violent attacks by secessionist rebels, is to remain in its current state of readiness rather than be moth-

Board announced yesterday.

If Bougainville moved to a "care and maintenance" basis the workforce would have to be reduced from 2,400 to about 350 at a cost of more than A\$30m (£15m) in redundancy payments and the mine would need about six months to reopen once a decision to do so

had been made.

Nevertheless, the Bougainville Board had been widely expected to make the move this week. Following a board meeting, however, it said yes-terday that "while noting that serious incidents continue to occur on the island, the board

supports the initiatives of the efforts to resolve the crisis. Consistent with this the Board has decided that moving the mine to a care and maintenance basis immediately is not

not warranted.

It said it was discussing with its major shareholders, CRA. with 53.6 per cent, and the PNG Government, with 20 per cent, "details of a financing facility which would enable the mine to continue in a state of readiness to produce, or alter-natively, to move to care and maintenance if current efforts to resolve the crisis prove to be

It is believed CRA and the PNG Government have tenta-tively agreed to inject the equivalent of US\$45m to keep the mine in a state of readiness. This would be repayable once positive cash flow was re-established.

Bougainville, which in a normal year produces about 180,000 tonnes of copper and 500,000 troy ounces of gold, in 1989 produced only 79,000 tonnes of copper and 236,000 ounces of gold.

The company has declared force majeure on export con-tracts but nearly half the workforce has remained on site ready to restart operations. Bougainville usually pro-vides about 10 per cent of

CRA's net profit but its current losses are estimated to be running at nearly A\$2m a day.

The Australian Associated Press reported yesterday that Bougainville has started court action against four of its insurance companies seeking A\$500m in compensation because of the shut-down. The insurers deny liability, how-ever, and the case is set to be heard in the Victoria Supreme Court in February.

### Brazil soya crop expected to fall 10%

By John Barham in Sao Paulo

BRAZIL'S SOYABEAN harvest is likely to decline by about 10 per cent next year, according to farm co-operatives in the south of the country. Last year Brazil produced 22m tonnes of soyabeans, making it the world's second largest producer after the US.

Analysts say the decline is due to low farm incomes, an overvalued currency and a sharp drop in farm loans. The result, they say, is falling yields and a reduction in the area planted with soyabeans. Co-operatives in the state of Parana, the leading soya prod-ucing region, report that plant-

wool agency to

borrow A\$500m

THE AUSTRALIAN Wool

cial paper facility was likely to

be finalised next week. The

issue will be arranged by West-

He said the borrowing would

be adequate to support AWC

buying under its reserve price

scheme until around March

next year. The AWC's key mar-

ket indicator average has been hovering 8 to 9 cents above the

floor price for most of the

1989-90 season.

Australian

"the area planted with soya has fallen from 154,000 hectares to 145,000 ha. The weather is better this year, but we still expect yields to decline by about 20 per cent." Farmers had hoped to profit heavily last year as the drought in the US midwest

ability to finance this year's

by almost 2 per cent a day. ing is virtually complete. But making borrowing prohibi-tively expensive. Furthermore, the cash-strapped Federal Gov-ernment, which buys wheat from farmers, has had to slow one cooperative official said: down payments, adding to

ter crop. Mr Paulo Roberto, of a co-operative in the southern pushed prices up. Farmers delayed sales of their bumper crop for as long as possible. But prices fell, reducing their state of Rio Grande do Sul, the second biggest Brazilian soya producing region, said "farm-ers are spending less on fertil-isers and pesticides, reducing yields. We expect national

crop.

Farm credit is scarce and loans are adjusted for inflation

### Gummer announces straw burning ban from 1992

By Bridget Bloom, Agriculture Correspondent

Corporation plans to borrow A\$500m (£250m) to continue THE BRITISH Government is to ban straw burning by farmers, taking powers to do so in the new "Green" bill on the control of pollution which is to be published before the end of buying wool at near reserve price levels, said Mr Gary Richardson, the corporation's treasurer, reports Reuter from Sydney. He said a domestic commer

Announcing the ban yesterday, Mr John Gummer, the Minister of Agriculture, said that following the sometimes "disastrous results" of straw pac Banking Corporation and the dealer panel will comprise the dealer panel will comprise burning during this year's Westpac and four other local harvest he had decided to review fully the Government's

policy.

The ban would become effective in the late autumn of 1992. This would give farmers three full seasons to adjust.

Mr Gummer said he was concerned to achieve a "proper balance" between the needs of those who lived in the country-

side and the needs of farmers. He had personally had 600 letters calling for a ban.

Mr Gummer indicated that there could be limited exemp-

tions from the ban, instancing linseed, which is difficult to dispose of by other methods. The controlled burning of moorland to prevent the spread affected by the ban. Yesterday an official of the National Farmers' Union regretted the Government's decision, which could only add

The NFU has suggested that straw burning should be licenced but yesterday Mr Gummer said he had rejected that alternative partly for legal reasons and because it would be less effective.

LONDON BEITAL EXCHANGE

Previous

#### Spectre of drought looms again in US

By Nancy Dunne in

US DEPARTMENT of Agriculture officials attending the Department's annual out-look conference this week in Washington have been confidently predicting a rebound in US wheat production. But out in the Midwest and Plains in the midwest and Plains states, many farmers have been noticing an increasingly familiar phenomenon: no rain. The shattering droughts of summer 1988 and last winter had been considered a closed chapter, one of those occa-

chapter, one of those occa-sional interruptions in the suc-cession of abundant harvests. Rainfall this summer was nor-mal; the weather at harvest time was lovely — and dry. In many places it has stayed dry, so dry that the spectre of another drought, damaging the winter wheat crop, is not haing digmissed.

The High Plains Climate Centre says groundwater levels are lower than last year. In the semi-arid areas of the Midwest and Northern States, the chances of recovery by spring are given considered less than

Kansas, the largest wheat producing state, hard-hit last winter, is given 10 to 50 per cent chance of reaching full capacity. The National Weather Service says in some areas of Kansas rainfall has been less than 50 per cent of pormal.

The danger is that wheat, in its weakened state, is voluera-ble to winterkill. If it is not protected by significant snow-fall, winter wheat production could once again falter.

The 1988-89 droughts pushed wheat supplies down by 11 per cent from last year.

Production this year a cett

Production this year is esti-mated at 2.042hn bushels, up 13 per cent from last year but less than any other year this decade.

At the Outlook Conference, however, the analysts seem more worried about foreign competition than American weather. They expect the next year's reduced US acreage setaside and strong prices are to encourage farmers to plant up to 5 per cent more acreage than last year, and they esti-mate that if yields rebound to near the 1983-87 average, the 1990 harvest could total close to 2.6hn bushels, the largest

Meanwhile, the forecast for worldwide wheat production for 1989-90 is for a 6 per cent rise to a new record level. EC production is seen as a particular competitive threat. Despite the introduction of a multi-year land set-aside

High/Low

1717/1706

1715-8 1710-1

French credit agency, has refused to indemnify a shipment of 150,000 tonnes of scheme, USDA economists expect little decline in the wheat flour for Egypt unless Cairo meets its obligations on its \$5.8bn French debt. Community's wheat growing area over the next few years. Egypt, with a population of

Ring turnover 14,250 tonne

Ring turnover 25,175 tonne

Fling turnover 6,200 tonne

38,242 lots

75,578 lots

**World Commodities Prices** 

(Prices supplied by Amalgamated Metal Trading)

AM Official Kerb close Open Interest

## Trimming the fat off the land

Tim Dickson on New Zealand's subsidy-cutting Farm Minister

F COLIN Moyle were Farm Minister of just about any European Community country at present, he would doubtless be impaled on the end of a pitch fork.
As Minister of Agriculture

and Fisheries in New Zealand since 1984 he has been respon-sible for a programme of subsidy dismantlement so far-reaching that he was able to tell an audience in Brussels last week: "New Zealand's agriculture industry is now almost entirely market driven."

Citing Organisation of Eco-nomic Co-operation and Development (OECD) calculations that New Zealand's net per-centage producer subsidy equivalent fell from 33 per cent in 1986 to only 8 per cent in 1988, Mr Moyle added proudly: "Our estimates show that the 1989 PSE has fallen to 5 per cent and that it will shortly be close to zero.'

For purposes of comparison, he added pointedly, the corre-sponding figure for the US in 1988 was 34 per cent, for the EC 46 per cent and for Japan 74 per cent. New Zealand's experience in

economic deregulation has attracted widespread interna-tional attention – not least because of the passionate com-mitment to market liberalisation shown by a Labour Government. The programme has lately softened slightly at the edges – most notably with the departures of its two chief architects, Mr David Lange, the former Prime Minister, and Mr Roger Douglas, the former Finance Minister – but the sweeping away of farm subsi-dies over the last five years continues to stand as one of the most remarkable and (through western European Small countries have small voices in the superpower slang-ing match which is already characterising the final stage



Colin Moyle: "NZ agriculture industry is now almost entirely market driven"

of the Uruguay Round of the General Agreement on Tariffs and Trade – but, as Mr Moyle implied last week, New Zea-land can not only claim the moral high ground in the nego-tiations over reducing farm subsidies worldwide, it can point to practical lessons from which others should learn.

which others should learn.

Mr Moyle insisted in his talk
to the Centre for European Policy Studies in Brussels that
agriculture in New Zealand
"does not possess any miraculous blend of natural assets
which make consideration of which make consideration of support unnecessary" - the country's farmers have compensated for distance from markets and "not especially fertile" pastoral land by devaloping a grassland technology that is unexcelled."

The decision to get rid of subsidies, he admits, while part of an economy-wide programme of reforms, was driven largely by the realisation that New Zealand could no longer afford them. Agricultural spending, he explained, had gradually increased during the 1970s following Britain's entry into the Common Market and the first oil price shock, cul-

mineting in the introduction of supplementary minimum prices (most expensively for sheep), direct production incentives for sheep, subsidies on fertiliser and cheap credit. "The distortion of market signals to the farmers that resulted from the SMPs and other supports was as serious as the budgetary cost," noted

Mr Moyle.

New Zealand's 60-year-old

Agriculture Minister, who has already announced that he will not stand in his country's next general election, insists that farmers everywhere can be persuaded that protection is against their interests and, not-withstanding their sometimes hitter criticisms, pays tribute to New Zealand's agricultural leaders for "being able to see the wood from the trees,"

In his talk to CEPS and in an earlier interview Mr Moyle stressed the importance of deregulation on all fronts. He admits that farmers had earlier felt they were being "singled out" for harsh treatment but claims there is much less of that sort of talk today. The result of reforms in other sectors - such as the lowering of costs on "the waterfront" and in transport generally - has been "substantially reduced costs for New Zealand farm-

r Moyle also defends the unrelenting speed at which the reforms were introduced, including the painful combination of high interest rates and a high New Zealand dollar which was fuelling the farm lobby's discon-tent 18 months to two years ago (interest rates have since fallen markedly). "If we had tried to do things in a piece-meal way it would have falled for the simple reason that peo-ple compensate. If we hadn't decontrolled interest rates many farmers would have bor-rowed more," he says, adding that the highly unpopular privatisation of the Rural Bank has actually increased the flow of funds to the farming sector as other lending institutions have come back into the mar-ket. If you really want to turn round an economy you can't do
it by leaving hig holes unping-

Mr Moyle admits that the "much happier international situation" — better prices for New Zealand lamb, beef and butter — has come at an opportune moment and left the country considerably better off. He predicts an increase this year in beef production now that the strong incentives to rear sheep have been removed, although he also believes sheep prices will continue to

improve. On the Gatt negotiations; where New Zealand's views are where New Zealand's views are expressed through the diverse Cairns Group of developed and developing nations, Mr Moyle agrees that "the US position (the so-called zero option, or progressive dismantlement of all subsidies) may represent the ideal; the question is whether you can achieve that whether you can achieve that ideal by sticking rigidly to it and not negotiating and com-promising. That would be an unreal situation."

"The one cementing factor (of the Cairus Group) is a determination to see progress on agricultural trade for the middle nations. There is a fair bit of position taking going on and that is fairly normal, but I think there is a will to meet in the middle somewhere.
"I am well satisfied with the progress which has been made in terms of the move away from the increasingly protec-tionist attitudes of the past to a realisation of the inevitability of a reduction of supports in agriculture and a liberalisation of agricultural trade. It is a

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#### question of the management and speed of that change." Credit squeeze hits Egyptian wheat supply

By Tony Walker in Cairo

EGYPT IS facing increasing difficulties securing adequate supplies of wheat and flour for its rapidly-growing population as credit for new purchases continues to be squeezed.

Agricultural experts are pre-dicting possible shortages in the second quarter of 1990 unless Egypt moves quickly to sign new agreements that would ensure that wheat shipments arrive in good time. France, the country's second largest creditor, has adopted an unusually tough stance on new credit sales. Coface, the

54m, is again facing an acute foreign exchange crisis in its efforts to service a crippling food import bill. The Egyptians are among the world's biggest importers of wheat and wheat flour. Imports this year total more than 6m tonnes.

Signs of a possible global wheat shortage in 1990, and indications that prices may rise further are adding to pressures on cash-starved Egypt which is grappling with an unmanageable \$50bn foreign

Earlier this month, Egypt and Australia agreed on ship-ments for 1990 of 1.5m tonnes, but the Australians drove a hard bargain. The Australian Wheat Board, which has been instructed by its Government to convert all sales to cash by

**US MARKETS** 

the most active. Copper trading was

was higher due to some commis

day. Cotton had two-sided action

1992, won from the Egyptians agreement to pay 20 to 25 per cent "up-front" for new wheat shipments. Australia has reduced its credit terms from three years to two as part of its plan to phase out credit sales to Egypt.

Meanwhile, an Egyptian team led by Mr Galal Abu el Dahab, the Minister of Supply, is visiting Washington for talks on new wheat shipments for 1990. Egypt is striving for the best deal possible from the Americans in the expectation

of a difficult year ahead.
The US sold Egypt about 2.5m tonnes of wheat and wheat flour this year under a variety of credit programmes. But US officials have made it clear that it will be difficult to expand sales in 1990, partly

because of a randown in US Australia, whose wheat harvest will be down markedly on last year because of bad weather, has also made it clear to Egypt that it is unlikely to be able to ship additional quan-

tities beyond the 15m tonnes contracted for in 1990. Egypt produces about 2.5m tonnes of wheat annually, but almost all of this is consumed by producers or sold on the black market. Government purchases of locally-produced wheat total 100,000 to 200,000 tonnes annually.

Egypt has storage capacity of about 2mn tonnes, but at a consumption rate of around 600,000 - 650,000 tonnes monthly, buffer stocks run down quickly.

### LONDON MARKETS

NICKEL prices tell to tresh 21-month lows on the LME yesterday as the bear trend continued. Three-month metal shed \$380 a tonno to \$8,150 as the market headed down to the \$8,000 a tonne level which many analysts have been predicting lately as demand from the stainless stell industry has laded. Tin prices recovered some of their recent losses on short-covering. profil-taking and the emergence of some end-user offiake attracted by the contract lows. On the bullion market gold recovered from an early tail to close off \$2.25 at \$410 an ounce in active trading. The firmer afternoon trond followed New York's lead and an resistance at \$408 also helped to inspire buying. Cocca prices edged ahead, as consumer interest emerged

SPCT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	\$15 96-6 00z	
Brem Bland W T.I. (1 pm est)	\$18.40-5.45z \$19.65-9.70z	
	415-0-4.700	
Oil products (NWE prompt delivery per to	onne CIF)	+ or -
Premium Gasokne	2187-189	
Qua Cri	\$193-194	+4
Heavy Fuel Cill Naphthe	\$106-107 5157-159	+2
Petroleum Argus Estimetes		
Other		+ or -
Gold (per tray oz)	\$410.00	₹.25
Silver (per troy oz)	585c \$509.05	
Platnum (per troy oz) Pañadeum (per troy oz)	\$139.15	-6.50 +0.40
Aluminum (free market)	\$1715	-20
Copper (US Producer)	1165g-118c	+2
Lead (US Producer) Nickel (free market)	39 5c 410c	+0.5 -15
Tin (Kusta Lumpur market)	17.51r	+0.01
Tin (New York)	298.5c 73 ke	
Zinc (US Prime Western)		
Cettle (live weight)! Sheep (dead weight)!	114.10p 205.29p	-2.19°
Pigs (live weight)†	91.67p	-1.45°
London daily sugar (raw)	\$345.6x	-7.0
London daily sugar (white)		-5.0
Tate and Lyle export price	2335.5	-6.5
Barley (English teed) Malze (US No. 3 yellow)	2115.0 2129.0	-1.0 +0.25
Wheat (US Dark Northern)	V0.0¢13	,
Rubber (apot)♥	58 5Cp	-1.00
Rubber (Jan)♥	58 00p	-1.00
Rubber (Fab) P Pubber (KL RSS No 1 Dec)	60.00p 224.5m	-1.00 -1.0
	\$430.0x	-2.5
Coconut oil (Philippines)) Paim Oil (Malaystan))	3430.UK 3290z	~2.0
Copra (Philippines)5	\$285w	
Scyabeans (US)	£1725	-0.5 -0.90
Cotton "A" index Woottope (64s Super)	79.05c 576o	-4
Annual tong and a		

-centa/lb. r-ringglt/kg. y-Oct. x-Dec/Jen. 1-Jen/ Mar. v-Nov:Dec w-Dec. g-Jan 1Meel Commission average tatatook prices, \* change from a week ago. Whondon physical market. \$CIF Retterdem & Buillon market close. m-Maleysian contains.

COCOA - London POX S/loon						
	Closa	Provious	High/Low			
Dec	655	647	653 844	_		
Mer May	656 668	645 658	658 645 669 658			
.bd	680	671	581 <b>670</b>			
Sep Doc	695	687 710	695 686 720 710			
Mar	718 739	728	737 730			
Turnova	. 6882 (7	456) lots o	7 10 tonnes			
	diamena a	daag /CND		el Reil		
tor Dec	1 765 16	768.27)	57):10 day	E AGU EO		
COFFER		on FOX		Crtorin		
	Close	Provious	High/Low			
Nov	682	685	683 668			
Jan Mar	678 662	682 682	683 674 684 675			
May	701	700 725	701 693			
Jul Sep	720 740	725 739	720 713 740 733			
Nov	758	756	755 752			
Turnove	: 4519 (3	155) lots o	5 tonnes			
ICO Indi Nov 29 I	cabor pro	ces (US ce	ents per po 81 33). 15 d	und) la		
age 02 1	1 (62 20)	my or.24 fe	01 334. 13 0	ay aver		
SUGAR	- Londo	a POX	(\$ p	er torene		
Rew	Close	Previous	High/Low			
Doc	300.80	307.40	305.00 300	1.80		
Mar May	313.60 312.20	312 20 310 20	314.60 309	20		
Aug	312.20 307 00	310 20 305.00	312.40 308 307 00 303	20		
Oct Dec	299 60 296.00	297.20 296.00	300.00 297 291 00	.00		
Mar	263 40	285.00	263 00			
White	Close	Previous	High/Low			
Mar	388.00 391.03	385 00	385.00 382 389.00 387 369.50 368 356.50 356 357.00 354	80		
May Aug	391.00 399.00 369.00	393.00 399.00	368.00 367	.00		
Oct Dac	369 00 358.00	370 00 296.00	369.50 368	20		
Mar	355.00	356.50	357 00 354	00		
May	356.00		355.00 354	.50		
Turnovar	Raw 8	033 (8001)	lots of 50	COULTER		
Paris- W	hate (FF)	per tonn	e): Mar 23 ec 2230, M	60, Mar		
2390, Au	g 2475, C	ca 2310, D	es 2230, M	ur 2230.		
CHUDE	O(L - IF	E		\$/berre		
	Close	Previou	n High/Lo	7W		
Jan Feb	18.49 18.23	18 08	18.50 %			
Mar	17.97	17.87 17.70 18.21	18-23 1 17-97 1	7.84		
IPE Index	k 18 17					
Turnover		11174)				
OVE OF				\$/tonn		
	Close	Previous.	High:Low			
Dec Jan	190.00 185.90	185.00 179.00	190.25 186 185.00 180	.50 50		
Feb	178.75	173 00	178.75 174	.00		
Mar Ace	171.00 165.50	167.25	171.25 168	75		
Apr May	160 00	181.50 157.75 154 50	161.00 156	.00		
Jul .	156.75		158.50 156	.75		
Turnover	12940 (8	750)lots of	100 termes			

are still a best buy with Cor's at 28-45p (28-45p), French Golden Delicious at 28-45p (58-45p), Washington Rod Delicious and British Columbian at 40-60p (40-60p). There smark Common at 40-Sp (40-5p). There is an abundance of loop quality mustrooms evailable-buttons at 50-75p a 1-jb, cups at 40-Sp and open/flat at 35-Sp; at unchanged from tast week. Cucumbers are a good buy at 40-Sp each (50-90p), the decrease in price is due to a rise in the number of cucumbors being imported.

	655	647	653 844		Alumini	um, <b>99.</b> 7'	6 purity (S	per tonn	<b>a)</b>
•	656 668 680	645 658 671	658 645 669 658 681 670		Cash 3 month	1714- 18 1709-		735-8 1722-4	
	695	687	695 686			_	(£ per ton	ne)	_
	718 739	710 728	720 710 737 730		Cash 3 month	1682	4 1	609-10 623-4	
ove O in	r. 6882 (? dicator o	456) lots o rices (SDR	f 10 tonnes Is per tonne	L Daily		per tonn			_
e fo	Nev 30	761.99 (747	57):10 day	rveragé	Cash	422-3		26-7	_
	1 765 16			Critorine	3 month	<b>422-3</b>	4	25.5-6	
	Close	Provious	High/Low	DUDINE		per ton			
_	682	685	683 668 683 674		Cash 3 month	3600- s 8100-	700 S 200 S	150-200 510-50	
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	758	756	755 752		Cash	1410		410-6	æ,
ind	icapo bis Capo bis	1155) lots o	ente per pol 81 33), 15 da	and) lor	3 month			380-5	
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	- Londo	e FOX	(\$ pe	r torene)	Cash 3 month	1365-		380-5 330-40	
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	296.00	296.00 265.00	291 00 263 00			Close	Previous	High/L	OW.
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	386.00	385 00	385.00 382 389.00 387.	80			5) lots of		_
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	355.00	356.50	357 00 354 (	303		Close	Previous	High/L	_
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o 16	20 (1366)	r ner toru	lots of 50 e) Mar 238	D, May	Apr	144,00	144.00	144.00	143
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Ōī	. – IPŽ			S/tonne	Júl BFI	1390 1653	1385 1686	1396 13	374
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	156.75		158.50 156.7	<u> </u>	Mar	117.70	117.90	118.30	117.
OVE	12340 (8	Nachoer of	100 tennes		May Jun	120.60 122.50	121.10 122.50	121.50 122.90	
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					Nov	108.00	106.00	108.00	
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		ck strike is		ł	Barley	Close	Previous	High/Lo	w
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d ex	runes, 35 Icelient vi	rasp (40-60 siue, report	c) are plents a FFVIB. App	Nes.	May	115.35	115.45		
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	Close	Previous	S/tom High/Low
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	_	-	-
ū	EAN ACT	AL - SFE	£/tonr
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_	147.00	146.00 144.00	147.00 146.00
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	(-)		
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_	1667	1666	- 4819 204
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~~	r 849 (55		<del></del>
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	120.60 122.50	121.10 122.50	121.50 120.80 122.90 122.40
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	108.00	108.00	106.00
Ŋ	Close	Previous	High/Low
	110.87 113.80	110.80 113.80	711.10 11 <b>0.8</b> 0
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OVO	Wheat	426 (223).	Barley 31 (10).
WQ	liabs of	100 tonnés.	•
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425.5/420	420-1		420-1		11,48	1 lots	_
			Alm	g turno	Wer 1,	410 toruh	•
8850/8650 8450/8125	8830-40 8270-80		8125-3	 5	7,348	lots	
			A	ing tun	nover	985 tonne	•
6880/6740	6710-30 6840-5		6780-9		5,406	lots	
)			Rin	g turno	ww 7,	760 tonini	
1417/1415	1415-7 1380-2		1355-8		10 17	9 lots	
1302 1305	1300-2					450 tonne	-
1405	1405-10		Full	y with	1,000	NO WINE	•
	1405-10 1335-45		1330 <u>-4</u> 0	<u> </u>	18,54	3 lots	-
5445	6 months:	1.5243			mont	hs: 1.5025	2
Chorme	LONDON BE	_	_		_		
*	Gold (fine oz)				6qulV		
1,1	Close Opening	4093	-4104 -4064	. 2	6042 5942	81 ¼	
	Morning fix	406.8	0	2	59,356		
	Attention fix Day's high	408.1 4003	15 1-410년		80.250		
£/tonne	Day's low	405	-406	•			
7	Coins	S pri	28	2 -	6quiv	alent	-
46.00	Manieless	419-4			68 l <sub>2</sub> -2		•
43.50	Britannia	419-4	24	2	881 <u>-</u> -2	50 la	
	US Eagle Angel			2	861 <sub>2</sub> -2	88 P 88 -5	
	Krugerrand	419-4	12	2	BO 202		
ndex point	New Sav. Old Sav.	97-89 97-89	5-523.2	6	14-62 14-62	ì	
	Noble Plat	515.1	5-523.2	0 3	20,65-3	33.85	
0	Silver fix	prime	92 E	U	S ets	equiv	•
2 6	Spot	354.9			50.60		
4	3 months 6 months	361.3 381.3			58.35 79.25		
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	TRADED OFT	10NS				-	•
	Alumbium (St	9.7%)	G	elle.		Puts	•
£/tonne	Strike price \$	tonne	معا، د	Mar	Jan	Mar	•
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<u>,                                     </u>	Cellen			Mar	le-	Sde-	
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	800		71	85	15	19	
	650 700		40 21	55 33	34 85	38 86	
			<u></u>				
	Breat Crade		Jan	Feb	Jan	Feb	•
	1800 1850		54 16	57 31	5 19	36 60	
	1850 1 <b>900</b>		16 5	31 15	18	80	

#### dominated buy the local traders. The livestocks featured another limit down move in the pork bellies. Lower cash prices and sell stops weakened the markets. Live hogs and cattle closed mixed in lighter volume. Crude, heating oil and gasoline all rose sharply adding to Tuesdays gains **New York** GOLD 100 troy at.; \$700y at. 412.9 0 412.0 424.1 429.0 430.5 409.5 412.8 415.5 420.5 426.5 430.1 434.9 439.8 443.0 PLATINUM 50 tray az \$/tray az. 514.8 520.0 526.3 533.8 511.1 517.0 526.0 531.0 513.2 519.D 518.7 525.2 532.7 SILVER 5,000 troy oz cents/troy oz Close Previous High/Low 560.0 564.1 573.5 581.4 589.6 507.9 Nov 30 Nov 29 mnth ago yr ago 1825.8 1828.0 1851.3 1863.0 DOW JONES (Bene: Dec. 31 1974 = 100)

Nov 29 Nov 26 mnth ago yr ago

Spot 129.22 123.66 129.64 Futures 130.65 131.11 129.63

#### Close Previous High/Low Short covering rallied all of the metal-erasing losses made earlier in the week, reports Drexel Burnham 73.25 77.02 79.31 81.50 83.65 66.25 88.50 74.20 77,75 78.96 82.05 84.00 86.80 0 100.00 108.50 107.50 106.80 109.00 Lambert. Gold and silver markets were 107.90 slow but closed higher on some technical buying late in the day, in the softs, sugar closed near unchanged CRUDE OIL (Light) 42,000 US galls \$/barrel levels after a very choppy day. Cocoa Latest Previous High/Low SUGAR WORLD "11" 112,000 lbs; ct 19.77 19.56 19.20 19.10 18.80 18.57 18.51 18.44 19.33 house and fund short covering March cocoa gained 14 closing at 939. Close Previous High/Low 19.10 18.76 18.65 18.40 18.32 18.20 18.14 Price-fix buying kept the coffee market strong. In the grains, com and soymeal markets were higher reflecting some Russian buying. Spillover buying helped firm the rest of the soy HEATING OIL 42,000 US galls, cents/US galls complex. Wheat prices slipped on some long liquidation from first notice Latest Prev us High/Low 6280 6175 5690 5405 5245 5140 5100 6030 5975 5540 5286 5105 4990 4970 Close Previous High/Low 6080 5595 5386 5180 5080 5045 Jen Mer Apr Mey Jun Jul 67,75 · 71,20 71,36 67,00 64,70 · 68.10 71.88 71.83 67.80 66.54 67.70 71.00 71.30 67.10 64.86 COCOA 10 tonnes.\$/tone Close GE JURGE 15,000 ibs; cents/lbs Close Previous High/Low 129.40 127.60 127.40 127.80 128.00 129.50 127.50 127.00 127.00 126.25 **OPENCAST MINING** The Financial Times proposes to publish this survey on: **23RD JANUARY, 1990** For a full editorial synopsis and advertisement details, please contact: ANTHONY G. HAYES on 021 454 0922 or write to him at:

George House George Road Edgaston

Birmingham B15 1PG

FINANCIAL TIMES

83.06 (30/11)

(3/1)

154.7

FT-SE 100 31/12/83 & Nil 10.47

5-Day average

(15/3)

2008.6

300.0

12.58 9.59

20,702 1006,29 21,534 406,3

Dey's Low 1778.3

Day's Low 2251.6

3 p.m. 4 p.m. 2272.4

11.68

29,956 820,48 30,024 389.3

(9/1/36)

(30/11) (28/11/47) (3/1/75)

734.7

(17/2) (15/2/83) (26/10/71)

1782.8 2443.4 986.9 (3/1) (16/7/87) (23/7/84)

GILT EDGED ACTIVITY

SC Activity 1974. †Excluding intra-market business & Overmes turnouer. Catculation of the FT indices of daily Equity Bargains and Equity Value, was discontinued on July 31 Clouing values for July 28 available on request. London report and islant Share Index: Tet, 0898 12001.

49.4

Volume Closing Seri's 4007: Price Casego

(5/9/89) (26/6/40

1447.8 2008.6

#### LONDON STOCK EXCHANGE

## Far Eastern buyers boost equities

WELCOME SIGNS of Far-Eastern buyers kept the UK-stock market on its more optimistic frend yesterday. Although investment demand remained highly selective and overall turniver was still mea-citing the market pushed for-ward to close more than 20 FTSE points higher at the best level of the day.

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CONTRACTOR DESCRIPTION

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market form

chair feit im feit

A steadler trend in sterling brewery sector which has helped, as did the growing indi-cations that Mrs Thatcher will dend news this week. survive without too much difficulty the threat within the Conservative Party to her political leadership. The search for good quality shares likely to outperform in a downturn-ing economy shifted to the

			<u> </u>
•	Acco	unt Deulle	g Detes
-	Pint Dealles Nov 13	ec Nov 27	Dec 11
	Option Declar Nov 23	Dec	.' Dec 21
	Lest Desiloge Nov 24	Dec-8	Dec 22
	Account Day; Dec 4	Dec 18	<b>8 معل</b>
	Tiple time de	allega enty to	to place Iron

reported good profit and divi-dend news this week. . Rouities made a difficult start as the London markets reacted to the murder of Mr Alfred Herrhausen, chief executive of Deutshe Bank, who was in London earlier this week to launch the German

gan Grenfell. Then shares includes Cable & Wireless. prices moved ahead, slowly at The final reading showed first, and later more boldly as Japanese buyers were identified in brewery issues, and closed with a flourish.

The closing upswing featured activity in telecommunications stocks on hints that the German authorities are about to announce the award of the important second cellular licence franchise. Several of the IIK telecommunications groups, including British Telecom and Racal, are included among the ten consortia seek-ing the German franchise which some London traders believe has gone to the Man-

The final reading showed the FT-SE Index at 2,276.8, a gain of 21.2 points. The Index was helped during the session by strong demand for the December contract on the Footsie future which closed at a 20 point premium, encouraging buying of the underlying blue chips. Seaq volume, still fairly thin for most of the day, increased in late dealings to bring a total of 425.4m, against Wednesday's 418.3m; still only just over half bull market lev-

Traders stressed that the gradual improvement in equi-ties this week has caused a

cated it was one of the better

There was excitement in the

market about possible winners of the cellular telephone fran-

chise for West Germany. The

winner of the contract is not

due to be named until December 12 but among those boosted by the talk was Racal Electron-ics which added 9 to 254p as

more than 6m shares were

traded. Mr Mike Styles at Smith New Court said: "The

figures for the number of sub-

scribers for Cellular telephones are ahead of budget. Also,

Racal is part of a consorthum

industry.

nesmann consortium which stock shortage among marketmakers still unwilling to take on bull positions. This was particularly noticeable in breweries and food stocks which have been out of favour until the past few days and moved ahead strongly when buyers appeared yesterday. Domestic institutions, already unwilling to sell, have been encouraged by this week's favourable corporate trading statements. The flow of large cash bids

Fixed Interest

Gold Minas

Ordinary Share

FT-SE 100 Share

Ord. Div. Yield

Earning Yid %(full) P/E Ratio(Net)(\*)

SEAQ Bargains(5pm) Equity Turnover(Em)th Equity Bargainst Shares Traded (mi)th

10 a.m. 2257.7

| State | Combine | Combin

secondary offering in Japan of 30m existing Maxwell Commu-

nications shares. Maxwell rose

4 to 230p not least on the pros-pect of 5 per cent of the com-

pany's shares being subtracted

from the London market. Shares in Erskine House, the

rose as the company reported a

58 per cent increase in mid-

termprofits, better than the

at the same time last year,

while earnings per share rose to 9.5p from 8.7p. The interim

dividend is 2.3p up from 1.9p.

The shares closed at 175p, a

1805.6

11.44 10.56

Ordinary Share Index, Hourly changes Day's High 1805.9

286.9

17.60 10.41

25,139 959.90 25,922 370.2

Globel Int.

Grands

G

in the corporate sector, notably for Jaguar, Morgan Grenfell

Higgs & Hill and Pearl Assurance, has brought increased profit flows for the institutions which next month close trading books for the year. Goldberg, past the 5 per cent level helped the latter firm 7 to

positive view of the interim statement which initially depressed the stock; the divi-dend was held and traders 91p. Fletsand is a private pri-vate company which bought a hope that cost-cutting plans have improved the outlook for chain of department stores from Sears last year. Lowndes Queensway, still in financial the group.

Electricals had one of their restructuring talks with its banks, trickled 1% off to 8%p. GEN continued to profit better days for a long while. Electrocomponents hardened 7 to 194p despite thin volume. from Wednesday's news of a growth of the from Wednesday's news of a growth of the from the fr The shares were said to have been lifted by favourable coment from BZW, which indiby a £15.5m investment pro-gramme at the plant and would lead to the creation of some 240 stocks as the company is not exposed in the semiconductor

jobs. The shares gained another 12 to 407p. Costain were depressed after the company announced that the loss of production at its Pyro Williams Station mine in West Kentucky would cut profits by £8m, before taking account of likely recoveries

under its insurance policies. After the news, analysts cut their profit forecasts. County NatWest now expect £70m compared with £82.5m previously, and next year County sees £100m versus £110m. Hoare Govett also expect £70m against £92m this year, but £105m compared with £112m next year. Costain ended 8 lower at 258p.

RMC advanced as modest buying came at a time of stock shortage and created a bear squeeze. "It doesn't take much turnover to get the market going these days," one dealer said. RMC closed 12 higher at 641p. Hepworth rose 6 to 252p, helped partly by a buy recommendation from Hoare Govett. Maxwell Communications filed a registration statement with the Ministry of Finance in

day's gain of 7. Metal Closures Group, the packaging and printing com-pany, added 6 to 165p as Was-sall, the industrial conglomer-Japan relating to the proposed ate, launched a hostile £43.9m

bid. Metal Closures immediately rejected the bid, calling it unsolicited and unwelcome and, in the board's view opportunistic, derisory, and totally unacceptable."

FINANCIAL TIMES STOCK INDICES

92.50 92.52 92.58 92.80

2255.6 2242.0 2224,3 2222.4

Day's High 2276.8

The following is based on trading volume for most Alpha securities dealt through the SEAQ protein vesterday until 5 mm.

11.61 10.41

24,418 1137.50

1 p.m. 2262.2

1781.7 1768.3 1753.2 1754.9 1450.2

290.7 300.0 296.7

11.88

22,918 636,92 23,178 276,3

2 p.m. 2266.1

TRADING VOLUME IN MAJOR STOCKS

Further consideration of Wednesday's announcement of office equipment distributor, a truce between Savoy and Trusthouse Forte shed a rosier light on the benefits for the latter whose shares climbed 8 market expected. Profits advanced to £7.5m from £4.8m to 295p. Savoy "A" slipped 2 to

A profits warning from Michael Peters took its toll and the shares fell 12 to 53p, a two day decline of 20. Positive analysts' comment on Wednesday's figures from knitwear maker Dawson International - BZW, for example, upgraded the stock from a hold to a buy

helped the shares rise

another 9 to 220p, 15 better

over two days.

Trading in Nu-Swift, the fire extinguisher and office cleaning group, whose shares were suspended last July. resumed yesterday. The shares closed at 483p, 37 below its opening level.

Nu-Swift asked to have its listing temporarily suspended when it decided to sell its 88.5 per cent stake in Compagnie Centrale Sicli, a French fire and detection group. The Stock Exchange wanted to consider if the sale would effectively turn Nu-Swift into a "cash company" that would therefore not be entitled to a listing.

Other market statistics. including FT-Actuaries Share Index and London Traded Options, Page 23

### Royal results disappoint

Scotland were at the lower end of analysts' forecasts and the shares eased to close 8 off at 1770. There was also concern over loans to iroubled furniture retailer, Loyndes Queen-

sway. The bank did not break down its detailed provisions and analysts had differing and analysis had differing interpretations as to whether there was an element of Lowndes included. Mr Julian Robins at BZW also expressed doubts about the benk's policy of growth in the US. "Expanding retail banking seems out of sten with some other banks." step with some other banks," he said.

The figures seemed to cast a The figures seemed to cast a cloud over the rest of the retail banking sector. Burchays shed 2 to 54sp, after 53sp, Lioyds slipped 4 to 43sp, Midland eased 2 to 35sp while Natwest managed to recover from a loss of 4 to close unchanged at 33sp. Analysts were united in saying that the weakness was not a direct result of the Royal a direct result of the Royal Bank figures. Instead, they pointed to the recent strength in the sector, which has climbed more than 18 per cent since the start of the month. By the same token, Abbey National, which had been left behind in this month's rise, climbed to a new high of 162%p.

#### BPB advance

A slowdown in the house-building industry pushed plasser board manufacturer RPR ladustries; integrin, profits howers per cent to shares managed to shrug off early losses and closed 3 higher at 218p.

RPB's profits; were at the lower end of parket expectations and waterlined the tions and underlined the at 485p, ahead of m dates on increase in competition in the December 6 and December 11 plasterboard market. However, respectively. analysis were encouraged by the strategy BPB outlined at its results meeting to cut its cost base further. They said this would allow BPB to become more competitive on pricing.

The initial seartism of deal and losing at 627p, still an ers was to mark BPB lower, improvement on the day of 23. though by the close it had one exception to the firm-staged a motiest recovery as buyers entered the market at the lower levels, encouraged by the rise in dividend to 4p from 3.75p. Dealers also said there was belief that BPB had been oversold. Mr Jeff Summers of manuscript of a troops of Electricals Hoare Govett said faither light.

See was to mark BPB had been oversold. Mr Jeff Summers of manuscript of a troops of Electricals of the sheet on BPB's strat. would be shed on BPB's strat-egy when analysts visit its new plant in Scholven, West Ger-many, on Tuesday and

Wednesday of next week. "Analysis may well have given BPB the benefit of the doubt until the visit," he said. "After the results a number of brokers" downgraded their profit forecasts for this year. County NatWest now expect £140m this year, compared with £155m previously forecast. Next year they see £155m versus £165m. Houre Govett lowered this year's estimate to £150m from £165m, and next year to £150m from £170m.

#### **MEPC** pleases

A strong 22 per cent rise in MEPC's final profits was at the upper end of expectations, though net asset value was in line with analysts' forecasts and accounted for the modest share price rise.

The £127.5m profits com-pared with £104.8m last year, while net asset value rose to 881p from 727p. Mr John Atkins of UBS-Phillips & Drew said: "MEPC is rock solid and has modest gearing and is the only major property stock which we're giving a hold recommendation to But its net much beyond current levels by file end of this year."

Mr Atkins added that

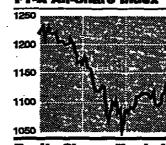
MEPC's portfolio contained property in the City of London and in the retail sector, both of which were likely to fall in value. City property values could fall by as much as 25 to 30 per cent, he said. He esti-mated MEPC's end-year net

asset value at 890p, little changed from last year. At BZW the analysts expect net asset value of 825p, up alightly from their previous forecast though still at the lower end of expectations. Mr Chris Turner said the share price had discounted a drop in asset walue and would limit any further fall MEPC closed 3 Agree at 5052 Brewery leaders had a par-ticularly good day, partly on a shortage of stock. There were

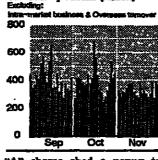
buyers of Bass, 23 better at 10260, and Allied Lyons, 12 up

respectively.
Grand Metropolitan added 6
at 555p in front of figures next week, while dealers were caught short of Guinness as a Japanese securities house bought the shares all day. Guinness fouched 630% before

#### FT-A All-Share Index



**Equity Shares Traded** Tumover by volume (million)



"A" shares shed a penny to joining to any great extent the late advance across the rest of the equity market. There was not much business in the blue

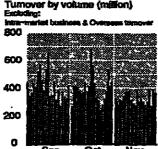
chip leaders, where British Petroleum (307p) and Shell (447p) moved narrowly around overnight levels as traders kept a close eye on the cur-rency markets for any reaction to the terrorist assassination of the head of Deutschbank in Germany, British Gas (210%p) turned in a similar performance. The downgradings by UBS Phillips & Drew continued

move yesterday at 686p. Also active again was Hardy at 178p, still benefiting from the recommendation from Kleinwort Benson, the UK merchant bank and equity market-

higher at first but closed off the top at 161p after a sizeable ket. There was a further recov-ery in Century Oil, finally at 136p as the market took a more

dend statement. The shares are helped by hints that SHV, the Dutch holder of a 44 per cent stake, may use Calor as a bid

maker.



Oil shares held firm, without

to depress Ultramar at 325p Calor (418p) held steady as the shares recovered from last week's disappointment with the interim trading and divi-

vehicle in the UK market. The market's favourite for an SHV approach remained Burmah, although the shares made little

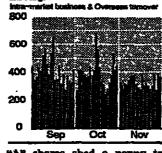
Clyde Petroleum moved line of stock came on the mar-

#### **NEW HIGHS AND LOWS FOR 1989**

**APPOINTMENTS** 

DEEP HOLES (FD.
CAMADIANO (S) BANKE (7) BREMERS (1)
JULI DIREC (2) STORES (2) BLECTHICALS
(3) BRÜNGERENDE (1) FOODS (3)
BRÜNGERENDE (2) AND AR, Uniterer,
BRÜNGTRALL (2) AND AR, Uniterer,
TRAMBORT (1) THISTS (14) CLIS (4)
OVERSEAS TRADERS (3) MINES (1). OVERERAS TRADERS (2) MINES (1). MEN LOWE (84). RINTER FUNDS (27) FOREIGN BONDS (2)

AMERICARE (1) CANADIANS (1) BUILDINGS (6) CHEMICALE (1) STORES (1) ELECTRICALS (1) SHOREERING (1) FOODS (2) BEDISTRIALS (16) ABTORSON, Apollo Witch, Coloroll, Erikhine Her. 7-Apo. Pl., Lyruz, Shenbright, Spander, TEL Range, Washall, Wilaire Grp., LEBURE (4) BOTORS (3) PAPERS (5) PROPERTY (5) SHOES (1) TEXTR.ES (5) TRUETS (4) OVERSEAS TRADERS (1).



in the running to win the sec-ond or third licence for the cellular network in West Ger-Racal Telecom, which is 80 per cent owned by Racal, advanced on the speculation. The shares gained 8 to 407p.

Also profiting from the same speculation was Cable & Wireless, which advanced 7 to 499p, while British Telecom crawled forward to 271p, a rise of 11/2 for the same reason. Cadbury Schweppes moved strongly ahead on revived speculation that it may be a

bid target. However, analysts poured scorn on the suggestions and said it only took modest buying to push the share price higher, particularly when the rest of the market was rising Cadbury's closed 15 higher at 354p, having traded 3.0m shares. The pound's weakness against the Deutsche Mark

helped push Unilever higher. Mr Julian Hardwick of BZW said: "Unilever is now at it highest level this year, partly on sterling but also on what appears to be US buying." He said Unilever looked cheap when compared with similar US stocks. Unilever closed 10 higher at 689p. The stores sec-tor showed small gains as a few buyers chased even fewer stocks. Marks and Spencer always a haven in uncertain times, added 5 at 200p.

Positive press comment on Body Shop boosted the shares another 25 to 497p. The stock is usually thinly traded and has a "green" tinge that has pro-tected it so far from weakness in the retail sector both in terms of profits and share

News that Fletsand, had taken its stake in the troubled Glasgow-based retail group, A

#### FT LAW REPORTS

## Rejection of union election expenses claim is valid

ELECTRICAL POWER ENGINEERS ASSOCIATION - APPLICATION FOR JUDICIAL

REVIEW
Court of Appeal (Lord Justice Parker, Lord Justice Stuart-Smith and Sir John Megaw): November 29 1989

PAYMENT OF a trade union's ballot expenses out of public funds is validly refused if, under union rules, election was determined by geographi-cal considerations as well as cal considerations as well as by majority vote, in that it is a statutory condition for payment that the result of the hallot, meaning who is to be elected, was determined "solely" by the number of votes cast.

The Court of Appeal so held when allowing an appeal by the Certification Officer of the Trade Union and Employers' Association from Mr Justice

Association from Mr Justice Roch's judgment quashing his decision to reject an application for election expenses made by the Electrical Power Engineers Association.

LORD JUSTICE STUART-SMITH said that the EPEA was a trade union founded in 1918. Its membership was drawn from engineers in the electric-ity supply industry throughout the UK. It was divided into nine geographical areas. Implementation of union pol-

icies and its day to day run-ning were done by its National Executive Council (NEC), whose members were elected annually in accordance with rule 29 of union rules. The NEC consisted of 24 elected members. Nine were elected in divisional ballots.

The remaining 15 were elected in a national ballot.

Rule 29 (3)(ii) provided that "no more than four members of any one division" might serve on the NEC.

The purpose was to prevent one division dominating the NEC and the union. If was an entirely reasonable rule. The effect was that if in the national ballot for 15 places there were more than three

candidates from any one divi-

sion, only the three candidates from that division who polled the most votes as between themselves could be elected. In November 1986 the nine divisional ballots were beld and nine members were too artificial. In the case of an elected. In January 1987 a election the plain and ordinary

Fifteen candidates were elected. They included three members from the North East Division, with 7,423, 4,815 and 4,566 votes respectively. The last of the 15 was Mr Wappett

with 4,014 votes.
At the top of the list of unsuccessful candidates was Mr Kain of the North East Division, with 4,442 votes, followed by the words "not elected under the 2000/iii" elected under rule 29(3)(ii)."
It was apparent that but for

the provisions of that rule he would have been among the I5 would have been among the 15 members elected.
Following the election the union applied to the certifica-tion officer for payment

towards expenditure incurred in holding the ballot, under the scheme contained in the Funds for Trade Unions Ballots Regulations 1984 made under the Trade Union Act 1984. He rejected the application on the ground that the ballot

had not complied with regula-tion 11(f) of the Regulations. Regulation 10 of the 1984 Regulations provided that the certification officer should not make any payments if he was of the opinion that any of the conditions mentioned in regulation 11 had not been satis-

A condition set out in regula-tion 11(f) was that "the ballot was conducted so as to secure that the result . . . was determined solely by counting the number of votes cast . . . . "
The union submitted that

meant that if the result of the ballot could be determined solely by votes being counted by someone who knew the union rules, the condition was satisfied. The certification officer submitted that the words meant that unless the result of the ballot was determined solely by counting the number of votes cast regardless of union electoral rules, the condition was not satisfied.

Mr Pannick for the certification officer submitted that "the result of the ballot" meant who was to be elected. Mr Elias for the union submitted that it meant no more than how the votes were cast. The rule, he submitted, was not concerned with the consequences of the ballot, but only the balloting itself.

Mr Elias's construction was

national ballot was held for the meaning of the words was remaining 15 places. "who was to be elected." His second submission was that assuming the "the result of the ballot" meant who was

to be elected, it was still necessary to imply into regulation 11(f) the majority principle for determining the result; and if that was so, why could not fur-ther words be implied to require that the result was determined by reasonable union rules? It was that argument that persuaded Mr Justice Roch.

He said it must be presumed that people casting the votes knew and applied the electoral rules of their union, and that knowledge and application of union rules did not involve determination of the ballot by

something other than simply counting the votes.

The fact that it was neces-sary to imply that the result was determined on the majority principle did not mean that one had to go further and imply additional words contrary to express provision in regulation 11(f) that the result of the ballot was to be deter-mined "solely" by counting the number of votes cast.

Mr Elias's third main sub-

mission was that even if the correct interpretation were that the result of the ballot must be determined solely by

counting the number of votes cast, the election complied with that condition. He said the result of the election was not reached until certain candidates were declared elected and for that purpose they must remain eligible up to the moment of declaration.

Rule 29(3)(ii) was not con-cerned with eligibility. Mr Kain was at all times during the election eligible, and voters voted for him in that belief. It was a bizarre concept that someone's eligibility should only be determined by the result of the election.

The certification officer's construction was correct. The words of regulation 11(1) were sufficiently clear to admit no other construction. The non-election of Mr Kain

and the election of Mr Wappett were partly determined by rule 29 (3)(ii), and not solely by counting the number of votes The appeal was allowed. Lord Justice Parker and Sir

John Megaw agreed. For the certification officer: David Pannick (Treasury Solic-For the union: Patrick Elias (Lawfords & Co, Richmond)

Rachel Davies

#### MILTON KEYNES

The Financial Times proposes to publish this survey on:

#### **16TH JANUARY 1990**

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#### RACHEL FIDDIMORE on 01-873 4152

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Number One Southwark Bridge London SEI 9HL

FINANCIAL TIMES

### Chairman of Adam & Co

Sir Charles Fraser has been appointed chairman of ADAM & CO, Edinburgh, in succession to the late Mr E.J. succession to the late Mr E.J. Gordon Henry. Sir Charles, a senior partner of W. & J. Burness, is easo deputy chairman of United Riscuits.

M Mr Ray Moore and Mr Tony Noble have been appointed joint managing directors of BOCKER CASH AND CARRY.

Mr George Younger, MP, former Defence Secretary, has been appointed to the boards of the four MURRAY INVESTMENT TRUSTS as a non-executive director. Mr Raymond Johnstone, non-executive chairman of Murray Johnstone, joins the boards of Mucray International Trust, Mucray Smaller Markets Trust, and Murray Income

BG INDUSTRIAL LASER GROUP, Huntingdon, has appointed Mr Colin Ward as group managing director UK, He was commercial manager, Mercury Communications.

REGENCY LIFE GROUP has promoted Mr John Pickles, group broker sales and marketing director, to managing director, Regency Life Unit Trusts.

ROYSCOT FINANCE GROUP, part of the Royal Bank of Scotland group, has

#### appointed Mr Brian Heaney as executive director, RoyScot Drive. He was an associa director, RoyScot Corporate Leasing. At RoyScot Financial Services Mr Gordon Fraser has been appointed finance director designate. He was

■ Mr Andrew Nairn has been has been appointed partner in charge of the London office of HODGSON IMPEY, snoteding Mr Gerry Burton who has been elected senior partner. Mr Nairn is also managing director of HI Financial Services.

finance director, Stakis

appointed company secretary of JOHN MOWLEM & CO. He was assistant company secretary. ■ Mr Bruno Baillavoine bas

Mr Arthur Birchall has been

been appointed managing director of NUTRI/SYSTEM (UK). He was marketing director, special operations division, Grand Metropolitan.

TAYLOR YOUNG INVESTMENT
MANAGEMENT has appointed Mr George R. Lees as an investment director. Mr David A. Grenier has resigned from

■ DURACELL U.K. has appointed Mr Gary Ferguson - as marketing director.

Mr David Richards has been appointed managing director of SPINDLER & HOYER UK,

#### **BIP Chemicals** managing director

■ T&N has appointed Mr Frank Tomes, managing director of subsidiary Flexitallic, as managing director of sister company BIP Chemicals from December 1. He succeeds Dr Amar Sabberwal, executive director responsible for friction materials and automotive

gaskets. 🖿 Dr Chris M. Sghibartz has been appointed managing director of JOTUN POLYMER (UK), Mitcham, a wholly-owned subsidiary of the Norwegian company. He was business development manager, corporate development department, RTZ

TUNSTALL GROUP has appointed Mr Peter J. Rawlins as finance director. He was finance director of Graham Building Services. Mr David Hewitt, chairman of Comet Group, part of Kingfisher, becomes a non-executive

Chemicals.

■ Mr J.S. Darling has been appointed to the board of GRESHAM UNDERWRITING AGENCIES, as underwriter for a new personal accident

m Mr David J. McConnell bas been appointed managing director of PERFERRED ASSURANCE CO., Camberley,



Ms Cathy Morton (above) has been appointed company secre-tary of ALEXANDER PROUD-FOOT. She was a senior manager, Deloitte, Haskins & Sells (London).

a wholly-owned subsidiary of BALTICA.

■ Mr Leslie Priestley has been appointed a non-executive director of PEARCE GROUP HOLDINGS. He was a director of TSB Bank.

CORRECTION Mr John Robinson, group deputy chief executive, will become group chief executive of SMITH & NEPHEW from January 1. In yesterday's Appointments column this was incorrectly reported as Mr John Smith, caused by a type-

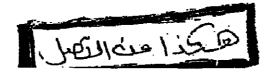
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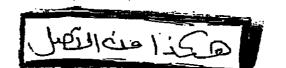
# Current Unit Trust Prices are available on FT Cityline. To obtain your fre FT UNIT TRUST INFORMATION SERVICE Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128 ### Price | Pr ee Ltd - Contd. | Managed Fel. | 104.2 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 | 111.6 133.1 137.9 648.6 672.1 311.1 322.3 297.9 308.7 294.8 253.6 299.5 310.3 494.2 310.1 619.9 642.1 322.6 304.2 1059 401 407 407 407 407 407 | Sept. | Sept 100 - Con -

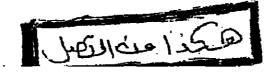
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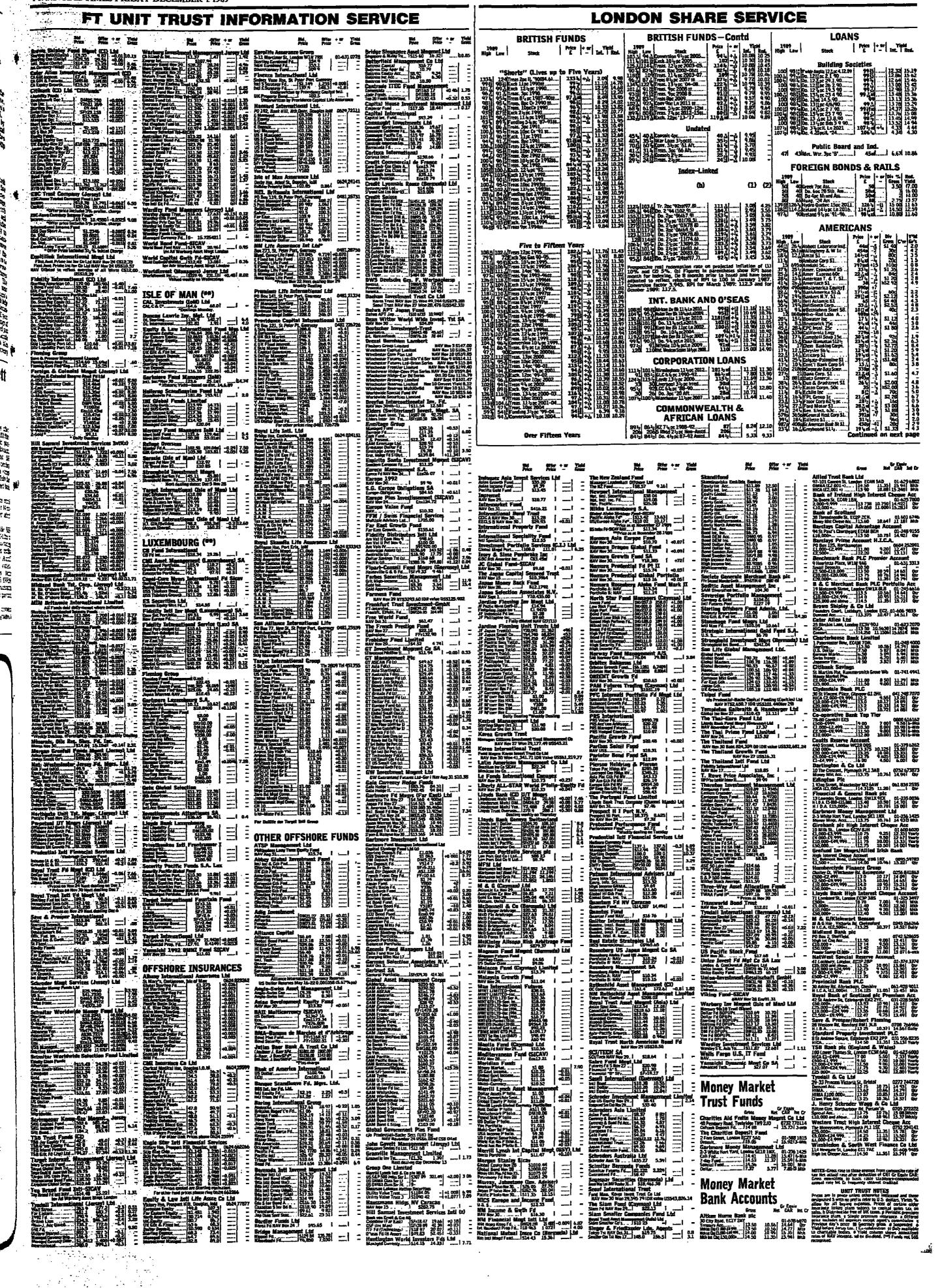
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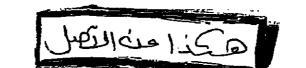
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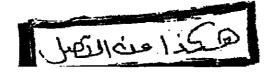
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#### CURRENCIES, MONEY AND CAPITAL MARKETS

#### **FOREIGN EXCHANGES**

# D-Mark renews its advance

THE D-MARK showed renewed strength in quiet foreign exchange trading yesterday. End of the month book keeping operations were the main feature of a dull market. Rumours that Mr Alan Greenspan had resigned, or was about to resign, as chairman of the US Federal Reserve Board, were

denied by the Fed.

The dollar dipped as rumours about Mr Greenspan circulated. It fell below technical support at DM1.7850 before the close of trading in London, finishing at DM1.7795 compared with DM1.7825 previously. Later in New York, after the Fed's dealer, the dollar nudged back above DM1.7886 nudged back above DM1.7800, but trading remained thin.

The US currency also declined to FFr6.0700 from

FFr6.0800, but it improved against the Japanese yen to close at Y142.90 against Y142.50 and rose to SFr1.5905 from SFr1.5800. On Bank of England figures, the dollar's index was unchanged at 68.9.

There was a slight downward move by the dollar on news that US personal consumption fell 0.2 per cent in October. This underlined the weakness seen in recent US economic data but was not considered an important enough figure to have much effect. Leading indicators, to be

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Stevium 8 U S Doilar Casadias 5 Austrian Sch Gestalas 6 Beigian Franc Destoch Mark Neth Guilder French Hark Heth Guilder French Franc Jaganes Yen Horway Krose Somita Piseta Somita Piseta Somita Piseta Greet Drach Irinh Franc	7 12.46 10.1 10.1 10.1 10.1 10.1 10.1 10.1 10.	1.21381 1.28817 1.50162 16.1498 48.1389 8.90125 2.29397 2.58471 7.82370 1.50162 8.75698 148.359 8.18890 2.04880 2.04880 2.04880 2.04880	1.37461 1.13923 1.3273 14.3497 42.7866 7.90683 2.03751 2.29874 6.91743 1499.30 162.4554 7.76659 131.71 7.27570 181.650 186.367 0.771836
# Strikes quote	d in term	s of SDR.and	ECU per £

England Index 86.4 68.9 105.4 108.9 108.3 107.3 

Gisaranty changes average 1980-Bank of England Index (Base Average

	1985-1009*Rate are tenter 29.  OTHER CURRENCIES											
Now_30	£	5										
Arpentina Ambraha Entral Entra	1019-35 10/28/05 2 0/270-2 9/09/05 2 0/270-2 9/09/05 1 2 0/25/05 11 50/05 12 5/25 12 5/06/05 12 5/25-12 5/06/05 12 5/25-12 5/06/05 12 5/25-12 5/06/05 12 5/25-12 5/06/05 12 5/25-12 5/06/05 12 5/25-12 5/06/05 12 5/06/05 10/05/05 12 5/05/05/05/05/05/05/05/05/05/05/05/05/05	650 00 - 655 00 1 2773 - 1 2785 7 3310 - 7 360 4 1970 - 4 1990 162 90 - 165 50 7 8145 - 7,8165 7 8145 - 7,8165 7 8145 - 7,8165 9 2964 - 0 2969 37 95 - 37 55 2 7610 - 675 36 37 95 - 37 55 3 750 - 3 7515 1 5935 - 3 7515 3 1965 - 3 1950 6 10 - 76 15 3 1965 - 3 1950 6 10 - 76 15 3 1965 - 3 1950 6 10 - 76 15										

**MONEY MARKETS** 

INTEREST RATES held steady on the London money market

yesterday as the pound had a slightly firmer tone against the

D-Mark and dollar. There were no other factors to move the

market and trading remained quiet. Three-month sterling interbank was unchanged at 15'-15' and one-year at 14%-

The market was faced with a

large day-to-day credit shortage. This was initially put at £1.250m by the Bank of

England, but was revised down

to £1.200m in the afternoon.

Total belp of £1,184m was pro-

UK clearing bank base lending rate

15 per cent from October 5

An early round of assistance

was offered and at that time the authorities bought £200m

bills, for resale to the market

on December 11, at a rate of 14th per cent. In further operations before lunch, the

Bank of England purchased

£485m bills outright, by way of £8m Treasury bills in band 1 at

14" per cent; £384m bank bilis

in band 1 at 14% per cent; and £96m Treasury bills in band 2 at 14% per cent.

Treasury bills in band 1 at 14%

the afternoon the authorities bought another £376m bills outright, via £40m

14% per cent.

Rates little changed

published today, may have more impact on the market. As expected, the Fed added temporary liquidity to the New York banking system, via \$1.5bn of customer repurchase agree-ments, when Federal funds were trading at 8% per cent. The move was not regarded as

significant.
Sterling beld above DM2.80 stering held above DM2.80 for most of the day, rising above DM2.81 at one stage, but it fell back to close around the day's low and unchanged from Wednesday at 2.7925. The pound improved slightly against the dollar and the yen, and once again it was a story of damand for the D.Mark demand for the D-Mark rather than a fundamental weakness of sterling. The pound gained 20 points to \$1.5690 and rose to Y224.25 from Y223.25. It also climbed to SFr2.4950 from SFr2.4875. According to the Bank of England, sterling's index rose

tion was taken when the pound was above DM2.80. The was no reaction when Mr John Major, the UK Chan-cellor, told Parliament that he will continue to take account of sterling's value, along with other indicators, when setting

other indicators, when setting interest rate policy.

In late European trading the D-Mark rose above Y80 again, to close at 80.30, compared with Y79.94 previously. Earlier, in Tokyo the West German currency opened firm at Y80.14 but traded around Y79.90 for most of the day in the Far East, continuing the profit-taking seen on Wednesday. Dealers said there was likely to be strong support for the D-Mark if it fell below Y79.80.

Interest rate differentials favouring Frankfurt continued to support the D-Mark, although as expected the West German Bundesbank did not raise official interest rates at yesterday's council meeting.

0.4 to 86.4, b						orner me	
E	URO-C	URRENC	Y INTI	ERE	ST F	RATES	
Nov 30	Short, Lerm	7 Days notice	Que Month	Th: Mo	ri <del>c</del> eths	Six Months	Que Year
Sterling US Dollar Lan. Dollar Lan. Dollar Lan. Dollar Lan. Dollar Se, Franc Deutschmark FF, Franc Lanlan Lira B FF, (Fibl) B, FF, (Con) Fer Long term Europ	101-101 12-10 93-94 94-95 64-64 121-112 62-64	124-124 84-84 74-74 8-73 104-104 124-114 91-914 10-95 124-124 82-84	15 ; 15; 8 ; 65; 65; 65; 65; 65; 65; 65; 65; 65; 6	84- 124- 84- 104- 104- 104- 104- 63- 124- 84-	1112 8-712 8-712 10-5 12-79 1-	151,-15 82,-82 12-111, 82,-82 711-72 101,-103 10	144-1431 84-84 114-112 114-112 114-112 114-112 114-112 114-112 112-112 113-112 113-112 113-112 113-113 113-
POUND	SPOT-	FORWA	RD AG	AIN	ST .	THE PO	UND
Nov 30	Cay's spread	Close	Оре по	ertis :	2	Three months	% P.L
isnada 1.82 letherlands 3.14 letgium 58.1 lemmark 10 ! netand 1 ost V. Germany 2	50 - 1 5715 30 - 1 8300 5 - 3 175 55 - 59 15 55 - 10 92 50 - 1 0675 79 - 2 81 5	1 5685 - 1.5695 1 8260 - 1.8270 3 14½ - 3 15½ 58.80 - 58.90 10 86 - 10.87 1 0600 - 1 0610 2 79 - 2.79½ 241.00 - 244.00 179 80 - 180.10	14-15 27-2 27-24 0.40-0.3 15-14 2-4	Acpro Septi Septi Septi Septi Septi Septi	635 286 643 530 283 424 671 -116	2.51-2.48 1.32-1.15 51-42 75-71 84-74 0.95-0.85 47-43 103-214	om 2.70 pm 6.35 pm 4.96 pm 2.88 pm 3.39 pm 6.36 kits -2.60

58.85-58 95	19.65 - 19.77 2.49 - 2.50½ 1.3750 - 1.3780 21es taken towards t Six-month forward of	2.49 - 2.50 1.3750 - 1.3760 he end of London tra	11 1 <sub>3</sub> -10 1 <sub>4</sub> erropus 1 1 <sub>3</sub> -1 1 <sub>2</sub> epon 0.48-0 45 epon ulting Belgian rate 12 annatis 8 80-8	6.49 7.52 4.06 Is come 1,70cps 0	31 \ -25 pm 41 -43 pm 1.42 -1.37pm tible frants. Flas arrection for Nov.	5 83 7 11 4.06 scial franc 30 ireland
DOLL	AR SPOT-	FORWAR	D AGAIR			LAR
Nov.3G	Day's spread	Clase	One month	DT.	Three months	9 A
UK† Ireland† Ireland† Ireland† Ireland† Ireland† Beigium Beigi	1311 - 1319 \( \) 6 80 \( \) - 5.83 \( \) 6 06 \( \) - 6.11 6 36 \( \) - 6.40 \( \) 142 40 - 142 95 12.55 \( \) - 12.62 \( \) 1.5865 - 1.5970 1.1350 - 1.1430	6.06 \( -6.07 \)\( 6.38 \)\( -6.39 \)\( 142.85 - 142.95 \)\( 12.59 \)\( 12.59 \)\( 1.5900 - 1.5910 \)\( 1.1420 - 1.1430 \)	0.840 82:pm 0.240.24:pm 0.240.24:pm 0.240.25:pm 2.544.36:pm 1.752.16:reds 0.104.08:fpm 1.050.fps 1.752.16:reds 4.304.80:npm 1.752.16:reds 1.354.26:pm 0.840.95:pm 0.840.95:pm 0.840.95:pm 0.840.95:pm 0.840.95:pm 0.840.95:pm	\$215901239004390044398881901244	251-2688 1151-15185 12-16185 12-16185 581-585 581-585 611-15185 181-1518 181-1518 181-1518 181-1518 181-15	636 298 -3701 -144 -356 -948 -447 -376 -250 189 -0167 -240
premiums and	airs taken towards the discounts apply to total frame 37.50-37.6	معد ليحد حيالية \$1) وط	Hog.r UK and Irela to the instribual o	ed are qu arresty, l	oted in US currenc Belgian rate is for	y. Forward convertible

EMS EUROPEAN CURRENCY UNIT RATES										
	Eca central rates	Currency accounts against Eco Nov.30	% change from central rate	% change adjusted for divergence	Divergence limit %					
kan Franc sh Krone nan D-Mark ch Franc b Guilder Pent an Liea ars Liea	42 4582 7.85212 2.05853 6.90403 2.31943 0.768411 1483.58 133.804	42,7856 7,90683 2,03571 6,94703 2,29874 0,771836 1499.80 131,171	+0.77 +0.70 -1.11 +0.62 -0.89 +0.95 +1.09 -1.97	40.77 40.70 -111 40.62 -1.62 -1.67	±15424 ±1641 ±11019 ±13719 ±15019 ±16689 ±4.0815					

<b>*</b>	for Erro						-4.37						
djustment	uges are for Eco., therefore positive change denotes a weak currency statent calculated by Financial Those.												
	EXCHANGE CROSS RATES												
Nov.30	£	s	DM	Yes	F Fr.	S Fr.	H FI.	Lira	C S	B Fr.			
£	1	1.569	2.793	224.3	9.525	2 495	3.150	2058	1 827	58.85			
\$	0 637		1.780	143.0	6.072	1 590	2.008	1312	1.164	37.51			
DA	0.358	0.562	1	80 31	1420	0 893	1.128	736.8	0 654	21.07			
	4.458	6.995	12.45	1000.	4247	11 12	14 04	9175	8 145	262.4			
F Fr.	1.050	1 647	2 932	235 5	10.	2619	3.307	2161	1.918	61.78			
S Fr.	0.401	0 629	1.119	89 90	3.818	1	1 263	824.8	0.732	23.59			
H FL	0 317	0.498	0 887	71 21	3 024	0 792	1	653.3	0.580	18.68			
Ura	0 486	0.762	1.357	109 6	4.628	1 212	1.531	1000.	0.888	28.60			
C S	0.547	0.659	1 529	1228	5.213	1.366	1.774	112h	3,105	32.23			
B Fr.	1.699	2.666	4 746	381.1	16.19	4.240	5.553	3477		100.			

**NEW YORK** 

Nor.30

Nov 30

Interbank Offer Interbank Bid Sterling CDs. Local Anthority Decs Local Anthority Bonds Discount Nikt Deps.

Discount Mikt Deps.
Company Deposits
Finance House Deposits
Tressary Bills (Bay)
Fine Trade Bills (Bay)
Fine Trade Bills (Bay)
Fine Trade Bills (Bay)
SDR Linked Dep. Offer
SDR Linked Dep. Offer
EQU Linked Dep. Bild

You per 1,000: French Fr per 10 Lina per 1,000 Betglan Fr per 100.

per cent; £68m bank bills in band 1 at 14% per cent; £64m

Treasury bills in band 2 at 14% per cent; and £204m bank bills

in band 2 at 14% and 145 per cent. Late assistance of around

Bills maturing in official

hands, repayment of late assistance and a take-up of

Treasury bills drained £1,075m.

with Exchequer transactions absorbing £75m, a rise in the

note circulation £110m and bank balances below target

In Frankfurt banks bid for

call money to meet monthly reserve requirements at the

Bundesbank. This demand for funds pushed call money up to

7.85 from 7.20 per cent.
Average reserve holdings for the first 28 day's of the month were DM57.3bn, against a minimum requirement for the

whole month of DM56.9bn, but

the daily reserve figure slipped to only DM53.9bn on Tuesday.

spring any surprises yesterday. A meeting of the central bank

council left credit policies

unchanged, and the terms of a two-tranche securities repurchase agreement tender

were in line with expectations. A 33-day pact was offered at a fixed rate of 7.30 per cent and a

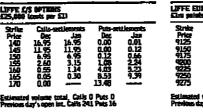
62-day agreement at variable rates. This facility will replace expiring agreements totalling

The Bundesbank did not

£120m was also provided.

#### FINANCIAL FUTURES AND OPTIONS

LIFFE LO 250,000	LIFFE LONG GUY PUTURES OFTIONS 550,600 64ths of 188%					THEASU 64ths of	RY BOND   180%	FUTURES	CPTIQUES
Strike Price 88 89 90 91 92 93	2015-9 3-22 2-49 2-06 1-35 1-07 0-99 0-99	dements Jan 4-53 4-06 3-27 2-53 2-19 1-53 1-29	Prits # 0-32 0-49 1-36 2-07 2-49 3-35	ttiements Jun 0-47 1-00 1-21 1-47 2-13 2-47 3-22	Strike Price 96 97 98 100 101 102	Calls 4 3-57 3-04 2-21 1-45 0-50 0-40	Usernents Jun 4-159 3-41 3-02 2-32 2-02 1-40 1-18	Puts-2 Mar 0-29 0-40 0-57 1-18 1-49 2-30 3-12	1-05 1-27 1-52 1-52 2-18 2-52 3-26 4-04
Estimated Previous d	i volume t izy's open i	ptal Calls er. Calls 74	596 Puts 61 Pats 4	348 176	Estimated Previous d	wokame t ay's open i	otal, Cails et. Cails 58	50 Puts ( 2 Puts 47	2
LIFFE S	\$ 0073200	S			UFFE B	10000LA	R OPTEN	<u></u>	



U.S. TIZEA \$100,808	SURY BONDS 32nds of 100	628T) 819 %	<b>L</b>		JAPARES Y12.5m S	E YEN COM
Dec Mar Jon Sep Dec	1464 99-11 99-12 99-04 98-23 98-16	High 99-12 99-13 99-05 98-16	99-00 99-01 99-28 98-23 98-11	Prev. 99-00 99-01 98-26 98-16 98-06	Des Mar Jun	0.701 <u>6</u> 0.7049 0.7074
100 100 100	98-02 97-26	98-02 97-25	98-02 97-26	97-29 97-21		E WARK COM 10 S per DM
Sep Des	:	- :	:	77-05	<del></del>	Latest
Mar Jun	:	-	:	96-29	Dec Mar Jon	0.5598 0.5600 0.5588
U.S. TREA \$2m point	SURY BILLS ( s of 180%	CHART		•		
Dec	Lates. 92.63	High 92.63	Low 92.58	Pres. 92.57	THREE-M	MITE EXIDE S of 188%
Mar Jen Sep	93.33 93.48 -	93.33 93.49	93.28 93.43	93.26 93.42 93.35	Dec Mar Jan Sep Dec Mar Jan	91.62 92.20 92.30 92.21 91.94 91.83 91.70
SWISS FR	ANC (DINE) 98 S per SFr				Sep STANDAR SSOO think	91.65 8 P0985 ! s ledes.

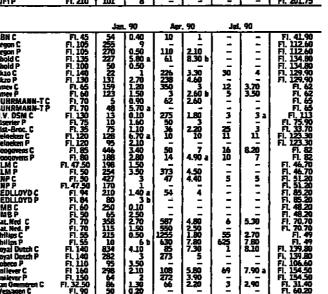
Nisa Lon Pret. 0.5604 0.5593 0.5595 0.5606 0.5594 0.5597 0.5598 0.5598 0.5592

0.02 0.04 0.17 0.40 0.63 0.88 1.13

PHILADELPHIA SE £/\$ BPTION 31,258 Leads per £1)

EUROPEAN OPTIONS EXCHANGE Vol Last Vol Last Vol Last 70 21 36 30.50 - -

ld C ld C ld P	\$ 410 \$ 430 \$ 400	50 60 72	15.90 8 8 a	112	17 12.50 a	3	24	\$ 408.60 \$ 408.60 \$ 408.60
-			. <b>89</b>	Jar	L 90	Feb	. 90	
E Index C E Index P	FI. 275 FI. 285 FI. 285 FI. 295 FI. 295 FI. 285 FI. 285 FI. 295 FI. 200 FI. 200 FI. 200 FI. 200	50 78 215 388 293 358 142 235 170 153 159 159 216 53 101	18.50 14.10 10.40 1.40 1.30 0.50 0.90 1.90 1.77 11.50 a 0.20 b 1.380 8	116 80 15	13.70 13.70 10.90 7.50 5.40 1.90 1.90 1.90 1.20 9 12 1.10 2.60 b	13 17 16 1	13.50 8.30 t	FI. 293.83 FI. 293.83 FII 293.83 FI. 293.83
		Jan	. 90	Apr	. 90	Jp1,	90	
id C gon C gon P	Fl. 45 Fl. 105	54.55%	0.40	10 110	210	111	- 1	FI. 41.90 FI. 112.60 FI 112.60



TOTAL VOLUME IN CONTRACTS: 36,251 C=Caff

FT LONDON INTERBANK FIXING

MONEY RATES

7 95-8 15 101-101

147-1487 1415-1487 1415-67 141

**LONDON MONEY RATES** 

8 90-8 15 105-10 5 75-73 8 40-8 50 65-611 125-125 911-1015

121

8 00-8 20 10 5-10 %

15151 - 1515 - 44180 - 5117

8.00 9.50

One Year

141

7 95-8.10 10 2-10 3 75-74 8 30-849 631-62 12 3-13 4 9 3-10 10 3-11

15

1414

Treasury Bills (sell): one-month 14½ per cent; three months 143 per cent; Bank Bills (sell): one-menth 143 per cent; three months 14% per cent; Treasury Bills: Average Lender rate of decount 14 4453 p.c. ECGD Fixed Rate Starting Export Finance. Make up day November 20, 1999 and American Compared Com

61.63 124.124 7.90 11.114

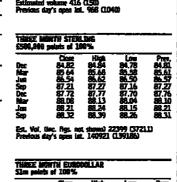
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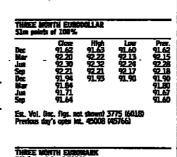
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1612

# Jun 216 183 154 126 104 0.84 0.67 Jan 0.63 0.80 1.01 1.23 1.51 1.81 2.14 Mar 0.39 0.54 0.73 0.97 1.26 1.60 1.97 Estimated volume total, Calls 958 Pots 1225 Previous day's open let, Calls 14589 Pots 12173 POURD-S CROKESON EXCHANGE 1-atth. 3-mth. 6-mth. 12-atth. 15607 15441 15203 14815 BRIN-STEED, DOG SA yet & LONDON (LIFFE) 90-13 91-13 89-29 90-27 99-02 99-05 83 IA

High 90.77 90.88





91.70 91.67 91.83 91.98 91.75 91.75 91.90 92.03 THREE MONTH ECU ECU las peials of 180% Close High 89.09 89.11 89.41 89.41 1.00 89.08 89.36 Extinated volume 544 (339) Previous day's open lat. 885 (976)

2295 0 2247.0 2333.0 2299.0

FT-SE 100 DADEX S25 per full ladez point

# BASE LENDING RATES

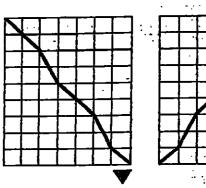
#### ABN Bank Adam & Company Allied Trost Bank Allied Irisk Bank Henry Anshacker Associates Cap Corp Anthority Bank B & C Werstant Bank Bank of Baroda Bank Happalim Bank Happalim Co-operative Bank ...... Costis & Co ........ Cypras Popular &k ... Dunhar Bank PLC ... विकादक दिकारे ... Equatorial Bank pic ..... Exeter Trust Ltd ...... Financial & Geo. Bank ... First National Back Pic . Robert Fleming & Co. .... Robert Fraser & Ptars ... Bank Haposition Bank of Cygres Bank of Cygres Bank of Ireland Bank of Ireland Banque Belge Ltd Barciays Bank Benclays Bank Benclays Bank PLC Brit Bk of Mild East Rambros Bash Nampshire Trest Pic Heritable & Gen for But Hill Samuel July Sasted 15 C. Hoare & Co. 15 Honglumy & Skangh 15 D Leopold Ascept & Sons 15 Holeghary Bank Ltd 15 Holegha Members of British Herchart Banking & Securities Houses Association. \*Deposit now 5.9%. Saventse 8.5%. Top Tier-£10,000/-instant access 12.8% & Mortgage hate rate. § Demand deposit 9%. Mortgage 15.2%. - 15.95%.

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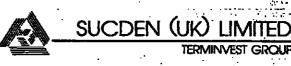


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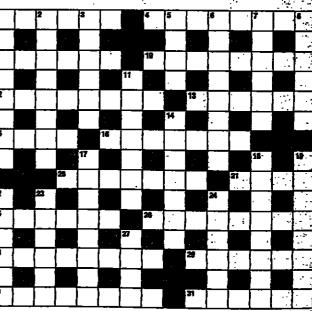


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CORPORATE FINANCIAL SERVICES  PRIVATE CLIENT SERVICES	<sub></sub>	<u> </u>
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Co. Name:	• •·.	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~
Address:		w 140 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 -
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WARNING: Before trading in these markets you shou	ld he swa	na that
commodity speculation involves a high degree of ris		
with full awareness of this fact.		

**JOTTER PAD** 

## **CROSSWORD**

No.7,104 Set by VIXEN



**ACROSS** I Grass making charge about skinhead and copper (6)
4 Very friendly at getting in eventually (8)

(8) 13 Make light of this (6)

lacking experience (7)
20 Don't stop the wrong persons (5.2)
21 Some of the most unlikely

causing consernation (e)
26 Transport for 8 (8)
28 A top man holds nothing
against the department (8)
29 Give a fellow tea freehly.

breed (6)
30 They've raised a point with certain ministers (8)
31 Direct involvement, in confi-

gaol will be the result! (8) Agreement giving rise to no offence - most acceptable

Recess for which approved has been refused (4) 6 Altering com

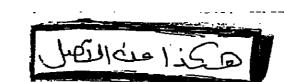
back (6)
8 26 of course (6)
11 Permission given to break silence (7)
14 Reaction at being tied up – not for the first time (7)
17 He's fired with enthusiasm in quite the wrong way (8)
18 Regulation colours (8)

19 The pursuit of profit (8)
22 The chief wants petals

strewn (6) Stand for Oriental post (6) 24 Men with guns unset over obstinate determination (5) 27 There's only a little space required for such a tree (4)

Solution to Puzzle No.7.103

DECIDED COSTAND A H R I A " P E MIAET SUMPATHES O R V C O I I " SUAKEDOWN LEDGE E C UW LEDGE SHAKEDOWN LEDGE E C U A N LETUP REDSHEAST E O S E U I BIRDSNEST SERIE A Y O S I TROTH MADOMETER T C O A A I R E EVEBRIGHT SHELF R A S U I E A E YONKERS SCRUMPY



essary (3)
7 The plant good accountants back (6)

9 Directed some of the police to be offensive (6) 10 Undertaking to read a brochure (8) Deposit possibly a hundred

- and it can be really hard! 15 A herb that's never used (4) 16 Few cut in front of a driver

people may be overcome (4) 25 Casual shirt - a faux pas

causing consternation (6)

dence (6)

DOWN

1 A threat to workers down-under inflamed a politician

2 Give voice repeatedly and

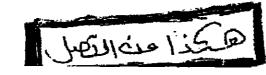
SUCCES

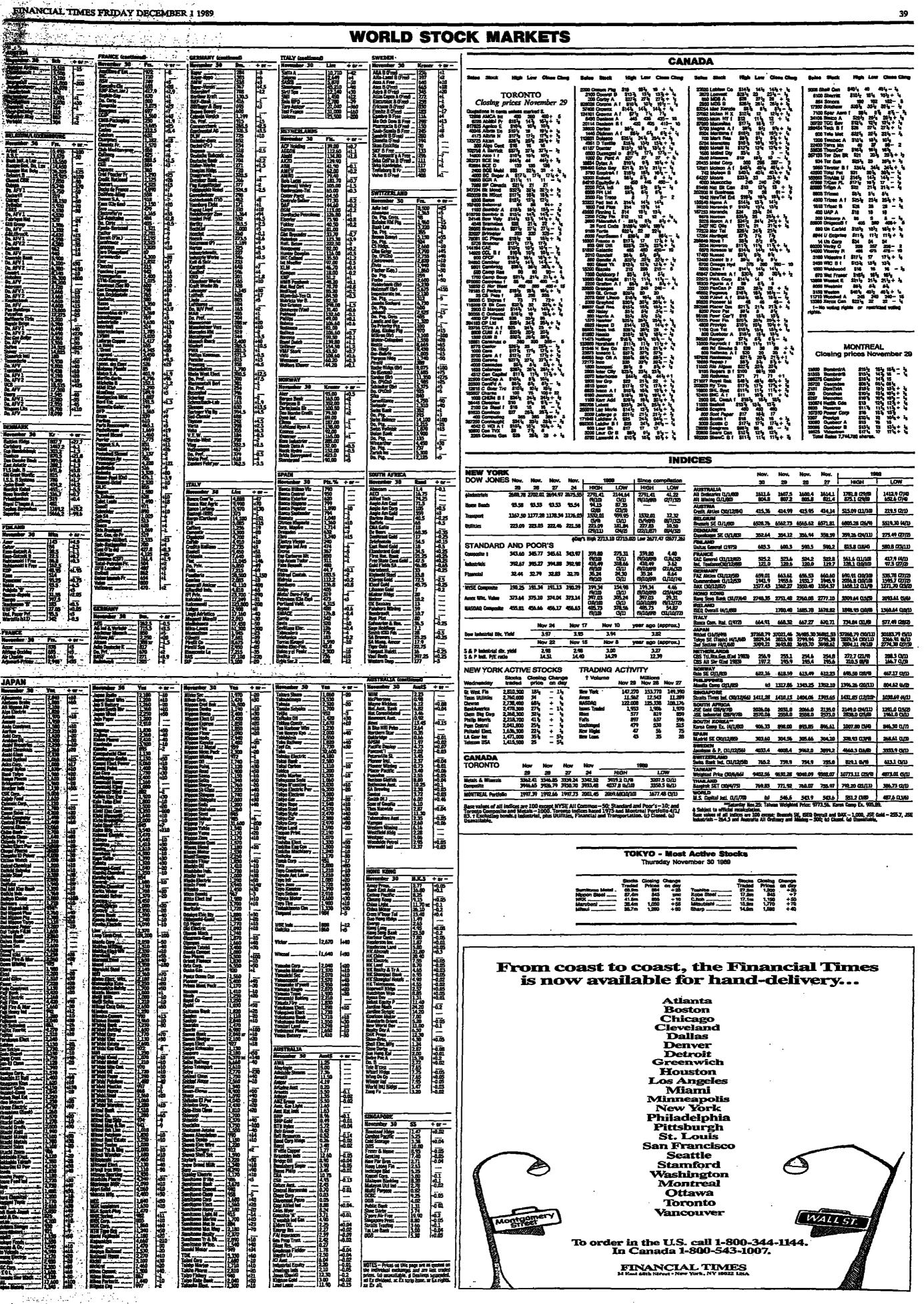
END OF

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47.44

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2pm prices November 30

11 Alien () 117, 128 Alien () 117, 128 Alien () 117, 128 Alien () 117, 128 Alien () 118 Alien () 118 Alien () 118 Alien () 118 Alien () 119 Alien ()

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Common Co 

\*\*\* Sect Dis.\*\*

\*\*\* Sign (\_ow Shock Dis.\*\*

\*\*\* Sign (\_ow

4 .50 4 .50 4 .40 ## 1 COMM 2.58
## 1 COMM 2.58
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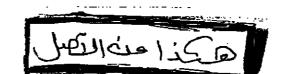
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#### **AMERICA**

# Dow rises despite weak bank issues

**Wall Street** 

A DULL day on Wall Street saw US equities moving mod-estly higher in light trading in the absence of any unexpected economic news, writes Karen

At 2 pm, the Dow Jones Industrial Average stood 11.95 points higher at 2,700.73 on volume on the New York Stock Exchange of less than 95m shares. On Wednesday, the Dow fell 13.23 points.

Other key stock market indices were all higher at midsession yesterday. The Standard & Poor's 500 index, the most important benchmark for investors, was quoted 1.11 points higher at 344.71. The New York Stock Exchange Composite rose 0.50 points to 190.75. Only the American Exchange Composite was lower at 373.52, down 0.12

The stock market was sup-ported by gains in the US debt market. At midday, the Trea-sury's bellwether 30-year bond was up ¼ point at 102∰, yield-

Money centre bank shares were under pressure for a sec-ond day, reflecting worries about the impact of new Federal regulations on their results and uncertainty about

the prospects for interest rates.
At midday, Citicorp fell \$% to \$29%, Chase Manhattan was \$% lower at \$36%, Manufacturers Hanover dropped \$1% to \$34% and the Bank of New York lost \$1 1/2 to \$40. The Bank of New England dropped \$1% to \$12%. Moody's Investors Service has placed the credit rat-ings for the bank review for possible downgrade after the company's recent announ-cemnt that it might take a substantial loss in the fourth quar-

In the retall sector, K-Mart gained \$14 to \$3514 after reporting a 7.2 per cent increase in November sales. Wal-Mart added \$% to \$43% after report-ing an 11 per cent increase in store sales for the first 10 months. Sears was unchanged at \$38% after reporting sluggish sales. The nation's biggest retailer said comparable store sales were 0.4 per cent higher than a year earlier.

USX, the big steel maker, rose \$% to \$34% on news that Mr Carl Icahn had filed for anti-trust clearance to raise his stake in the company to more than 25 per cent from 13.3 per cent. Telecom USA, was unchanged at \$25 yesterday morning in extremely heavy trading. The issue plummeted \$5% on Wednesday after the disappointing yearly earnings. Schering-Plough improved \$1 to \$81% after the company said it expected 1990 per share net income to rise by 19 per cent. UAL, the perennial takeover issue, rose \$1% to \$162% after the airline company said it was

Average daily volume 1988 161,460,000

**NYSE** volume



still looking at the possibility of an employee buy-out, among other options.

Among other airline issues, Pan Am was unchanged at \$2%, AMR, parent of American Airlines, was \$% lower at \$63% and Delta Air Lines rose \$1/4 to

Gerber Products fell \$1/2 to \$48% after the Michigan-based

#### quarter net earnings of 12 cents a share, reflecting costs ciated with closing a baby

food plant in Canada. Chevron fell \$% to \$68% in a second day of heavy trading. The commany would not com-ment on the stock's activity.

Silk Greenhouse plunged \$7 % to \$10 in active over-the-counter trading. The company reported flat earnings for the quarter ended October and said earnings in the current quarter would be hit by expenses associated with store American Medical Interna-

tional was unchanged at \$6%. The company reported a fourth-quarter loss of 75 cents a share after a charge com-pared with a net gain a year

#### Canada

THIN TRADING in Toronto stocks left the composite index alipping 9.3 to 3,937.4 on vol-ume of 15.2m. Declines led advances by 280 to 183. Oil and gas led the decline, due mainly to an expected fall in world oil prices following this week's Opec agreement.
Third-quarter earnings from the National Bank of Canada

were disappointing and hurt

To the south, where the delisting of Malaysian companies from the Singapore stock

NORTH versus south

hiatus in south-east

Asia has taken its stock markets into a period of transition. This should be posi-

tive for share prices, but the outlook for earnings is mixed,

and enthusiasm for some countries should be tempered with

caution elsewhere, said an

international stockbroking

A study of the seven top markets in the region, exclu-ding Tokyo, was launched in London this week by Mr Alan

Hargreaves, director of research for Hoare Govett

Asia, part of the Security Pacific Hoare Govett group, in

an overview, Mr Hargreaves

said that, with wealth and strong currencies concentrated

in the north of the region, pro-ductive capacity was moving to the south.

In the north, that suggested

contraction of one sort or

another: in Hong Kong, slower economic growth next year; in Taiwan, a 5 per cent decline in corporate earnings may be on

group yesterday.

# topic in the fourth quarter of 1989, Hoare Govett has extracted Malaysian component companies from Singa-pore stock market ratios, ending with the latter on a historic price earnings ratio of 16.5 — falling to a prospective 13.8 in 1990. "This makes [it] the region's second cheapest market," says the study. Malaysia and Thailand look good too While authorize the

A north-south divide on earnings

William Cochrane reviews a forecast for south-east Asian prospects

Ringgit

good, too. While cautioning the unwary about a forecast 25 per cent drop in earnings in the important Malaysian plantans sector, the research team is looking for a 20 per cent rise in industrial and commercial earnings there in 1990, after a gain of more than 30 per cent

in 1989. Thailand, in 1990, is expected to post the strongest economic growth in the region; this, like Malaysia's, reflects very high levels of inbound foreign capital and the maintenance of a relatively low cost base. The northern action is likely to be different. Mr Hargreaves yesterday forecast a trend towards using relatively highly

the cards for 1990; and in South Korea, real earnings, stripping out inflation, are also likely to valued paper as a means of buying assets.
He listed three key develop-ments this year: ● In May, Kyocera, the Japanese ceramic technology group, part-funded its US\$600m

# Asian currencies % change vs. US\$ since 1985

acquisition of AVX Corpora-tion of the US through the direct swap of Kyocera ADRs for AVX stock. The bidder was on a p/e of 35; and its American target on just 9.

• In August, the Korean specialist steel producer, Sammi, bought two plants in Canada and two in the US, issuing US\$50m in bonds to help pay for them. Attached to the

bonds were warrants convert-

ible into Sammi shares at an

-40 -20 0 20 40 60 80

meaning that the convertible paper was on a p/e ratio of about 52on In Taiwan, Yuen Foong Yu has proposed something very similar, with the issue of bonds convertible at a 50 per cent premium into YFY paper already trading on a multiple of 76; this pays for a US acquisition and a new Canadian facility.

"The Kyocera transaction

was the first purchase of US equity directly funded through the trade of Japanese paper," said Mr Hargreaves. "The Sammi deal marked the first Targreaves." Korean CB specifically launched to raise funds to buy UK assets. The YFY bond was the first Taiwan convertible

The team is not recommending, on that account, invest-ment in the north of the region; indeed, there is the long-term risk that the preda-tors will be marked down, and that "target" US stocks could

However, it sees scope in South Korea, where profits should recover from strikes and share prices revive after a heavy year for cash calls in 1989. New international Issues should reveal opportunities for exposure in a market which

# West Germany refuses to be thrown off course

**WEST GERMAN shares** recovered from early losses, which had followed news of the murder of the Deutsche Bank chairman. Other bourses were also stronger, with the exception of Italy and Spain,

writes Our Markets Staff. FRANKFURT feli initially, stunned by the killing of the Deutsche Bank chairman, Mr Alfred Herrhausen, and the DAX index dropped 10 points at the opening. Thereafter it rallied, as foreign investors maintained their interest and domestic buyers sought to show that terrorism could not

shut the market down.

The index rose throughout the rest of the session, to end 15.16 points higher at 1.577.43 as the Bundesbank left key interest rates unchanged. The DAX is now at its highest level since the 13 per cent plunge on October 16, and is only 11.85 below its close on October 13.

The FAZ index rose 4.60 to 663.61. Volume stayed high at DM5.5bn, compared with DM5.7bn on Wednesday, led again by Siemens in turnover of DM903m, and Deutsche Bank itself in DM771m.

Siemens rose DM13.50 to DM630. Other big risers included Rheinisch-Westfälisches Elektrizitätswerk (RWE), which jumped DM12.50 to DM288 on rumours of a reorganisation. Engineering group Mannesmann made DM20 to DM288 ex rights, on specula-tion that its syndicate is going to win a cellular telephone

licence from the Bundespost. Banks rose. Deutsche eventually at DM704, up DM2.20. Dresdner Bank, which post-poned the scheduled release of ts 10-month results because of Mr Herrhausen's death, put on DM4 to DM366 and Commerzbank added DM2.50 to

In addition, the commodity group. Preussag, climbed DM6.50 to DM358 on what some traders called market-tending, before a rights issue next

Against the trend. Nixdorf slumped DM10.50 to DM285.50, following Wednesday's DM24 drop on reports that potential bidders for the company

Latest prices were unevailable for this edition,

less than that.
PARIS remained positive, after Finance Minister Pierre

Beregovoy allayed fears of higher interest rates. It was also helped by a firmer open-ing on Wall Street. Mr Berego-voy said that he believed that the franc had stood up well to the recent swings on the currency markets and that there was no need to alter the level

The OMF 50 index picked up 5.09 to 516.93 and the CAC 40 rose 18.13 to 1,890.43. Activity was believed to have quietened down after Wednesday's turn-over of FFr2.1bn.

FFr8.30 to FFr427.80 on active trading of 472,400 shares. Yesterday, it denied press reports that it was intending to make a bid for the UK's Hambros, in which its new associate, Baltica Holding of Denmark, has a

Paribas slipped FFr1 to FFr610 on the last day of its hostile bid for Navigation Mixte, which was unchanged at FFr1.887. One analyst said that the two opposing camps seemed to have achieved par-ity, but the outcome of the bid would not be known until later this month.

Active trading left Eurotun-

nel FFr2.05 higher at FFr52 after the resignation of a director on Wednesday.

AMSTERDAM attracted

selective demand, mostly from individual investors, and closed higher in moderate trad-ing. The CBS tendency index added 0.9 to 183.6.

Insurers were firmer after analysts revised upwards their full-year profits forecasts after higher-than-expected nine-month figures. Aegon rose Fl 1.10 to Fl 112.60, Amev

#### **SOUTH AFRICA**

THERE were mixed fortunes for Johannesburg gold shares. which rallied after initially falling. The JSE all-gold index closed at a preliminary 2,026, down 5 on the day, but well up from a morning low of 1,990.

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NatNed gained 80 cents to F1 70.70.

closed up 3.3 at 623.8.

Ciba-Geigy rising SFr45 to SFr3,790 and Sandoz up SFr275 at SFr11,350. Other blue chips were also in demand. MILAN weakened in slug-gish trading, which some deal-ers attributed to strikes in the

tre of buying activity, with Ferruzzi a notable purchaser, and closed against the market trend up L5 at L1,510. Ferruzzi was again the focus of specula-tion on a rumour, denied by both parties, that it planned to

in the profit-takers after its recent gains. Construction stocks were active, with Cris-taleria down 25 percentage

STOCKHOLM ture talks with Fiat.

ZURICH recovered after a hesitant start which had seen prices marked slightly lower, mirroring the movement of the Frankfurt bourse. By midses-sion, prices had rebounded although volumes remained thin. The Crédit Suisse index

The chemicals sector attracted most attention, with

Italian bank sector. The Comit index fell 3.41 to 664.91. Enimont was again the cen-

sell its Fondiaria subsidiary to MADRID continued to pull points at 1,370 per cent of par and Asland up 22 at 1,055. The general index lost 0.96 to

edged upwards in slow trading. The Affarsvärlden General index closed up 19.6 at 1,171.8. Saab free B shares climbed SKr10 to 245 on the back of its joint ven-The day's largest rise was by Astra free B shares, which

gained SKr13 to SKr665 because of a large Soviet drug Trading in Beijer Industries was suspended, following com-pany suspicions over dealings

in its stock. OSLO closed slightly ahead amid buyer uncertainty over interest rates. The all-share index rose 3.15 to 485.60 in trading worth NKr355.6m. HELSINKI moved upwards for the third day in succession, the Unitas all-share index ris-

ing 3 to 603.3.

# Caution appears as Nikkei hits seventh peak

selves a little higher. Else-

#### Tokyo

UNDAUNTED by the sharp rise in share prices, investors continued their round of selective buying, which, together with an inflow of index funds, took the Nikkei average to its seventh record, writes Michigo Nakamoto in Tokyo.

Buying was broader-based than of late and advances led declines by 545 to 344, while 234 issues were unchanged. The Nikkei average climbed steadily to a high of 37,268.79 and dipped to a low of 37,019.21 before closing up 247.33 at

The Topix index of all listed share gained 13.56 to another record 2.829.54 and, in London trading, the ISE/Nikkel 50 index rose 3.92 to 2,150.74. However, one measure of caution appeared to creep into the market, in a decline in turnover to 1.1bn shares from 1.6bn on Wednesday. Some

market participants expressed concern that equities were con-tinuing to rise while short-term interest rates remained high.
Large-capital issues were the centre of attraction, with steels once again widely traded. Sumitomo Metal Industries topped the volumes list with 68.9m shares and gained Y23 to Y884. Nippon Steel followed with volume at 67.4m, but ended unchanged at Y845. NKK was third with 31.6m shares and

added Y10 to Y855. Their popularity was somewhat overshadowed by hightechnology issues, particularly the electricals. While some institutional investors hesitated to buy large capital steels and shipbuildings, partly on the interest rate argument, they found large-capital electricals more enticing.

In that category, Toshiba rose Y20 to Y1,300 in active trading. Investors thought it had rested for long enough and were optimistic about its business prospects as well as the redevelopment of its plant in Kawasaki, just outside Tokyo. The east-west trade story returned, with news that several Japanese companies were to participate in a Soviet joint venture to build a petrochemi-cal plant in Siberia. Two trading houses involved, Mitsui

#### and Mitsubishi, saw active trading, rising Y60 to Y1,280 and Y70 to Y1,770 respectively. Marubeni, a trading company with ties with communis countries, was also favoured and gained Y55 to Y1,050.

and gained Y55 to Y1,050.

Buying was kept up in Osaka, where the OSE average firmed a further 64.88 to a record 38,159.23. The market capitalisation of the exchange topped Y500 trillion (million million) for the first time on Wednesday, reflecting the recent popularity of Osaka recent popularity of Osaka area businesses. Yesterday, however, volume almost halved to 133m shares from 249.5m on Wednesday.

#### Roundup

THE MORE established markets of the region had a quiet day, with most finding them-

where, Taiwan went into retreat again, while South Korea showed a bit more life. TAIWAN fell on profit-taking, rather than something more fundamental. The weighted index closed 227.72, or 2.4 per cent lower at 402.56, after the previous day's record rise and Tuesday's worst-ever fall. Uncertainty before elections tomorrow helped to demons continuent.

dampen sentiment. The decline came in spite of widely expected news that the Government will cut the sales tax on individual stock transactions to 0.6 per cent from 1.5 per cent.
Volume rose to 1bn shares,

ralued at T\$125bn from

Wednesday's 806m and SEOUL made healthy gains amid speculation that the minimum selling prices of newly offered stocks could soon be-lowered from 90 per cent of market prices to about 80 per

Rumours of the discovery of an oil well off the South Korean coast also encouraged buy-ing. The composite index rose

AUSTRALIA edged higher in cautious day's trading, although hopes of a cut in interest rates were stronger. The All Ordinaries index added 3.7 to 1,611.6, after falling back

Options-related trading swelled turnover to 109m shares worth A\$250m, from 87m and A\$192m. Bell Resources fell 14 cents to 52 cents; there are doubts over its brewing deal with its associate, Bond Corp.

lower in an uninspired session, as the Barclays index shed 7.26 to 2,064.67. Air New Zealand shares lost 9 cents to NZ\$2.47 — their lowest level since their issue last month at NZ\$2.40 on news of a decline in six-

SINGAPORE finished mixed as institutional demand lifted shares off their early lows. The Straits Times industrial index closed 1.15 up at 1,411.28, after trading, and volume shrank to 61m shares from the previous

HONG KONG also recovered some ground after early losses. as bargain-hunters moved in, with the Hang Seng index ending 3.13 down at 2,748.35. Turnover was very thin at HK\$601m, down from HK\$674m

#### Recommended Cash Offer on behalf of Scandinavian **Investments PLC to acquire Capital Currency Units** in Scandinavian Bank Group plc ("SBG")

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The Offer will comprise, for each Capital Currency Unit, 225p in cash. As an alternative to some or all of the cash consideration receivable under the Offer, SBG shareholders accepting the Offer will be able to elect to receive £1 nominal of Scandinavian Investments Loan Notes in lieu of each £1 in cash under the Offer. The full terms and conditions of the Offer and of the Loan Note Alternative will be set out in the Offer Document.

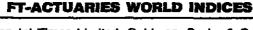
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Subject to the despatch of the Offer Document, the Offer will be capable of acceptance from and after 11.00 a.m. on 1st December, 1989. Subject to such despatch and with effect from that time, the Offer is by means of this advertisement extended to all persons to whom the Offer Document may not be despatched who hold, or who are entitled to have allotted or issued to them, SBG Capital Currency Units. Such persons are informed that copies of the Offer Document and Forms of Acceptance will be available for collection from Barclays Bank PLC, New Issues, PO Box 123, Fleetway House, 25 Farringdon Street, London, EC4A 4HD.

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1st December, 1989



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NATIONAL AND REGIONAL MARKETS _		WEDNE	SDAY NOV	EMBER 20	1969	TUESDAY NOVEMBER 28 1989			DOLLAR MOEX			
Figures in parentheses show number of slocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	currency	Gress Div. Yield	US Doller Index	Pound Sterling Index	Local Currency Index	1969 High	1989 Low	Year ago (approx)
Australia (85)	144.19	-0.2	136.43	122.85	+0.6	5.53	144.45	137.06	122.16	160.41	128.28	146.42
Austria (19)	148.67	+0.8	140.66	137.64	+0.0	1.77	147.51	139.96	137.65	172.22	92.84	97.98
Belgium (63)	148.04	+ 0.5	140.07	136.72	+ 0.0	4.06	147.26	139.73	136.73	148.04	125.58	133.15
Canada (122)	149.67	+0.5	141.61	126.32	+ 0.3	3.22	148.90	141.28	125.88	154.17	124.67	121.72
Denmark (36)	230.75	+ 0.4	218.32	216.94	- 0.4	1.46	229.90	218.14	217.88	231.98	165.35	153.56
Finland (26)	120.97	+0.7	114.45	106.55	+0.2	2.65	120.14	114.00	106.33	159.16	118.63	138.23
France (126)	139.68	+ 1.0	132,16	133.22	+ 0.6	2.79	138.33	131.26	132.42	139.94	112.57	110.77
West Gormany (96)	104.63	+ 1.4	99.00	96.96	+ 1.1	2.15	103.20	97.92	95.87	104.63	79.56	88.36
Hong Kong (48)	115.99	- 0.6	109.74	116.35	-0.6	4.89	116.64	110.67	117.00	140.33	88.41	110.10
Ireland (17)	166,17	+15	157,22	158.10	+ 1.3	2.80	163.57	155.20	156.10	168.69	125.00	130.24
Italy (97)	92.39	+0.2	87.41	90.89	+0.1	2.51	92.16	87.45	90.80	96.73	74.97	85.43
Japan (455)	195.96	+1.5	185.42	176.53	÷ 0.7	0.46	193.04	183,17	175.34	200.11	164.22	190.15
Malaysia (36)	206.02	+ 0.9	194.92	214.47	+ 0.8	2.47	204.23	193.79	212.85	209.22	143.35	140.55
Mexico (13)	285.50	- 0.3	270.12	828.44	-0.5	0.63	286.28	271.64	832.74	326.61	153.32	179.36
Notherland (43)	131.78	+0.4	124.68	120.99	+0.2	4.40	131.24	124.52	120.78	131.78	110.63	109.52
New Zealand (18)	75.42	+0.7	71.35	67.90	+0.6	5.26	74.87	71.04	67.50	88.16	62.64	70.53
Norway (24)	178.35	+ 1.7	168.75	164.80	+ 1.3	1.64	175.29	168.32	162.62	198.39	139.92	127.15
Singapore (26)	164.72	+ 0.5	155.84	148.09	+0.2	2.02	163.95	155.56	147.78	170.62	124,57	119.93
South Africa (60)	169.28	+ 0.1	160.16	145.98	-0.7	3.90	169.11	160.46	148.98	173.29	115.35	122.81
Spain (43)	158.39	+ 0.4	149.85	138,05	- 0.2	3.79	157.81	149,74	138.32	169.75	143.14	151.99
Sweden (35)	169.53	+ 1.7	160.49	160.15	+ 1.3	2.14	166.84	158.31	158.07	188.94 `	138.45	136.00
Switzerland (64)	91.56	+ 1.2	86.63	90.14	+0.8	2.10	90.44	85.81	89.45	94.16	67.81	79.33
United Kingdom (305)	144.12	8.0+	136.35	136.35	+0.6	4.52	142.91	135.60	135.60	168.41	139.28	138.95
USA (545)	139.47	-0.6	131.96	139.47	-0.6	3.33	140.32	133,14	140.32	146.29	112.13	111,45
03× (3×3)												
Europe (994)	128.95	+0.9	122.01	120.94	+ 0.6	3.47	127.83	121.29	120.27	132.95	112.63	115.01
Nordic (121)	170.99	+1.1	161.78	154,41	+0.5	1.84	169.15	160.49	1 <b>53</b> .57	178.38	137.95	132.13
Pacific Basin (668)	190,90	+ 1,4	180.61	172,04	+0.6	0.70	188.20	178.58	170.93	194.72	160,44	185.11
Euro - Pacific (1862)	166.19	÷ 1.3	157.24	151.61	+ G.6	1.58	164.13	155,74	150.67	166.98	141.56	157,05
North America (667)	139.98	- Q.5	132.44	138,65	<b>- 0.5</b>	3.32	140.73	133.53	139.40	146.66	112.79	111.99
Europe Ex. UK (689)	118.52	+ 0,9	112.14	111,45	+0.6	2.78	117.47	111.46	110.84	118.52	96.30	99.97
Pacific Ex. Japan (213)	130,12	-0.1	123.11	116,71	+0.2	4.95	130,31	123.64	116.45	140.05	111.93	124.88
World Ex. US (1857)	165.72	+1.2	158,80	150,92	÷ 0.6	1.65	163.79	155.35	150.02	166.35	141,49	155.49
World Ex. UK (2097)	156.41	+0.6	147.99	148.09	+0.2	1.96	155.44	147.49	147.82	156.41	136.98	138.58
	155.21	+0.6	146.85	146,99	+0.2	2.16	154.21	146.33	146.66	155.92	136.67	138.69
World Ex, So. Al. (2342)	135.87	+ 0.0	128.55	131,71	-0.1	3.45	135.87	128,92	131.87	140.43	114.51	113.78
World Ex. Japan (1947)	107.01							140,3E	191-01			
The World Index (2402)	155.29	+0.6	146.93	148,97	÷ 0.2	2.18	154.30	146,41	146.66	155.89	136.68	138.59



Geography is on the side of Leeds as it strives to displace Manchester as the capital of northern

England. Combined quality of life and work is attracting thousands of professionals, but Leeds still has much to do by way of improvement. lan Hamilton Fazey reports.

# Right place, right time

WHEN THE Departments of the more compact city of Leeds Health and Social Security with its 700,000 population and decided to relocate their headquarters staff and 2,000 administrative and clerical jobs from the Elephant and Castle in London, the choice narrowed

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to Leeds or Manchester. Two weeks ago, Leeds was eclared the winner. The move will begin in 1991 and take two years. Leeds will probably have emerged even more obvi-ously as the choice by then. The reasons reveal much about the way the north of England's under market and political

Leeds has always had two big northern rivals in Sheffield and Manchester. It vied with Sheffield to be the most important city in Yorkshire, but the Pennines ensured that the north needed a regional capital for each side.

In the last 10 years, the trans-Pennine M62 motorway between Liverpool and Hull has changed that. Leeds and Manchester are competing for supremacy now. Winning two big Government departments was a significant score for the

Yorkshire city.
The final choice was made by civil servants in key jobs who will have to move. The sprawling Manchester conurba-tion of 25m people lost out to

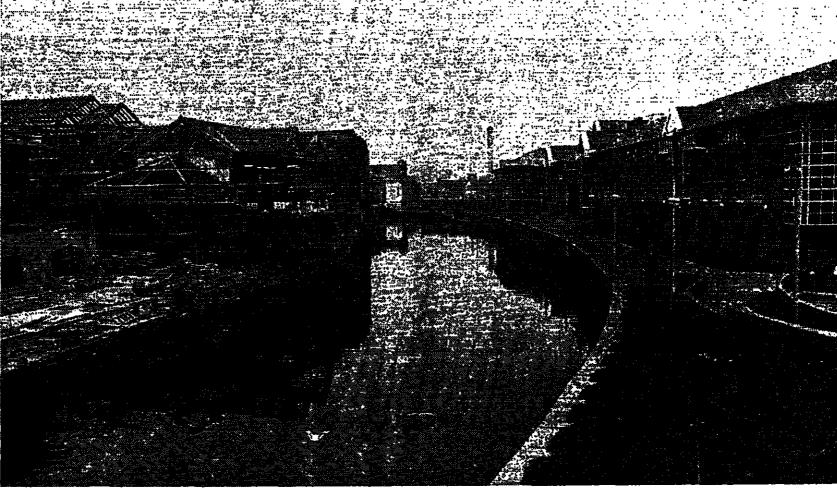
commuter homelands of North Yorkshire.

Another hig factor, however, was distance from London and not in miles but time. The east coast railway lines are straighter and faster and the journey from Manchester is already half an hour slower. British Rail now plans to clip another 20 minutes off the journey from Leeds to King's Cross, reducing it to only 1

hour 45 minutes. Moreover, the new Govern-ment offices are likely to be built on the site of the old Queens Hall, almost next door to the main railway station. Mr Mel Burrell, chief executive of the Leeds City Development Company, says that an escala-tor will provide a direct link to

the platform. Geography is also on Leeds' side. It is slap bang in the mid-dle of northern England and at the end of the ML It is also near where the A1 - linking London and Edinburgh crosses the M62. An Al-Mi link is planned to improve this infrastructure further.

Leeds is also 35 miles nearer the Humber ports and the rest Peter Coles Johnson, chief executive of Leeds chamber of



in the heart of Leeds, Asda's new headquarters (right) have transformed confidence on the once-decaying banks of the River Aire.

#### commerce says: "The key to LEEDS our future is not our relationship with the north of England

or the UK. The European dimension is much more

"We have been going through a 10-year transformation and are entering another. There is a movement of the power base along the M62 to be nearer Europe. Coupled with this is the rise of the Humber

The Channel Tunnel is also presenting Leeds with a significant opportunity. Again, geography has favoured the city, so that the main railhead will be at Stourton, near where the motorways meet.
Mr Coles-Johnson sees it as

the route for trade with southern Europe, with north-ern Europe served from the If Europe is a providing a

new driving force for change and growth, however, it already had a firm base to

build on because of its mixed Mr John Hardman, chairman of Asda - at £3bn turnover, the city's biggest company

says: "Since I come from Liver-

pool, which is almost the oppo-

that 68 per cent of businesses site, I can say that one of the in the area employ under 500 people and 31 per cent employ advantages Leeds has had is fewer than 100. dent on one or two industries. Of these, 63 per cent are con-

trolled locally, 45 per cent are locally owned, 28 per cent are

independent companies, 17 per

cent are parents, 18 per cent are subsidiaries with Yorkshire

parents. Only 37 per cent are

The top tier of the region's

private sector is about 130

quoted companies which have

seadquarters there. This num-

ber remains constant as new-

comers almost exactly balance

those dropping out through

takeover or going private

This spread of quoted compa-

There is a very good mix of service and manufacturing industries which has enabled the city to avoid the worst of Mr Jon Trickett, leader of the Labour-controlled city

council, says: "This was always a city of traders because of its location, so flexibility and adaptability come naturally to it. It has a heterogeneity it can exploit."

Indeed, the heterogeneity

has been increasing steadily. Part derives from structure the more smaller self-determining businesses there are, the more will be produced by Supervisory managers spinning out to start on their own, as research by 8i has proved. Mr Charles Monck, head of

nies in the region creates a demand for locally based financial and professional services. These have now concentrated in Leeds, some moving by the Yorkshire and Humberside Development Association, says merger or expansion from

other cities, and are growing

Mr Monck says that in 1987 there were nearly 146,000 peo-ple employed in Yorkshire and Humberside banking, finance and insurance, or 8 per cent of the region's total workforce. The bulk are in Leeds.

More important, their numbers grew by 49,800 in the six years from 1981. Growth has since accelerated in some professions, most notably in legal services, where Leeds is proba-bly now the most significant centre outside London.
The last reliable count, in

1987, showed 11,400 people in the region's legal sector. Since then there have been several big mergers, an increasing con-centration of firms into Leeds and twofold and even threefold

organic growth in some.

Many partners are refugees from London who have found a quality of work to match the quality of life in places like

Harrogate and Wetherby. It is reflected in North Yorkshire being in the top half-dozen well-off counties in Britain in terms of per capita

The European dimension has seen language courses become an integral part of in-house training. One firm of solicitors has already ensured that French, German, Italian and Spanish are each covered fluently by at least six members

Mr John Watson, who stepped down at 43 from the safe Conservative seat of Skipton and Ripon at the last general election while still young enough to start a career, says: "At the risk of sounding too 'evangelical,' I have to say that Leeds is booming."

He himself has put together an advertising and public rela-tions group - he owns half of it - to sell to the burgeoning financial and professional services sector.

It faces considerable competition and high standards from other local firms, as well as offshoots of London agencies run by a mixture of indigenous labour and yet more refugees from the capital.

#### CONTENTS

City of contradictions; property markets, page 2.

Key facts on Leeds; legal services expand; the hard-hit clothing industry, page 3.

 Fast-developing financial sectors, pages 4-5.

Educational services; research for industry, page 6. Accountancy services: urban issues, page 7.

Industrial horizons; inter-

view with the Leader of Leeds

City Council, page 8. Editorial production: Michael Wiltshire

Demand shows up most in commercial property. Mr Simon Houlston, a leading agent, says: "There are 4m sq ft proposed and 300,000 sq ft being built. There was only 32,000 sq ft of new space vacant at the end of August. But four years ago the comparable figure was 850,000 sq ft.

Rents have risen from £5 to £15 per sq ft in four years. There continues to be big movement into better build ings by professionals, many of whom are now negotiating at £15 to £17. We will soon be at

the £20 barrier.

"For industry there is 2.5m so ft of demand and about 1.7m so ft available, 70 per cent of it

Mr Hardman thinks that the new Government-backed urban development corporation will speed things, clearing dereliction, compulsorily removing old buildings, assembling land for development and improving major roads.

He made sure that Asda led from the front when it built its new £18m headquarters near the city centre, but on the seedy southern bank of the Aire, thus transforming land values in the area at a stroke.

The building - by Bruntons,
a Leeds architectural practice

· also sets high standards in For all of this, Leeds still has a long way to go. Where Man-chester is a 24-hour city with a good night life. Leeds is still very much a 9 to 6 provincial capital short on basic facilities such as a good range of hotels. It may feel it does not have

to try: while other northern cities struggle to attract jobs by dolling themselves up and hyping their virtues, Leeds struggles to catch up with a demand born of its strategic location.

But it wants to be measured against the best in Europe and regarded as a European centre in financial and professional services at least. As the capital of England's most chauvinistic region, it must now make its horizons and attractions as broad as it can.

# and Health

hen Nat West Bank recently set up its new Switchcard headquarters in Leeds, it created 200 jobs. Derek Hayhoe, Senior Manager, said;

"We believe Leeds is a growing commercial and financial centre. Economic property rentals, ease of local recruitment and good geographical links to the rest of the country all played a significant part in our decision.".

Investment projects currently total some £300m in the city centre alone while 19 office schemes of over 25,000 sq ft and a good number of exciting retail developments are well underway, Speciality Shops' refurbishment of the distinguished Corn Exchange among them.

The finance sector boasts 27 UK, foreign and international banks, with a branch of the Bank of England, the HQ of the Yorkshire Bank and the recent arrival of the operations centre of the innovative banking service, First Direct.

The city has six of the top 30 legal firms in the UK - the greatest concentration of expertise outside London. There are 22 different building societies, 127 different

insurance companies and over 30,000 people working in the business and financial sector. Another satisfied newcomer is Lloyds Merchant Bank who arrived in the summer, Director John Richardson

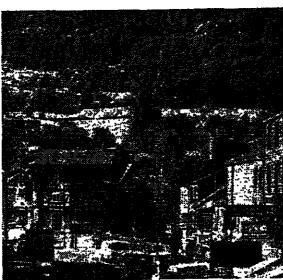
The profusion of enquiries coming out of Yorkshire made Leeds the logical place to set up our new oper-

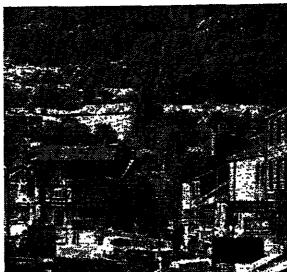
The diversity and strength of the business community in Yorkshire is such that the region will withstand any downturn in the economy and the growth in Leeds reflects the confidence of financial advisers in the













ealth and diversity in the Leeds economy make it a particularly attractive option for the Departments of Health and Social Security.

This has the potential to provide a skilled workforce without the competition for workers which London and some other large cities now face.

"The proximity of the Universities of Leeds, York, Bradford and Hull also make this an attractive area for good quality and specialist recruitment."

That's the official-view of Leeds-as-Whitehall announced the relocation of 2,000 Department of Health and Department of Social Security posts to Leeds in November.

Top management of the NHS will fit easily into Leeds, already a centre of excellent healthcare facilities. St James' Hospital (Jimmy's) is the largest teaching hospital in Europe. It works with Leeds General Infirmary and Cookridge Hospital in a co-operative venture to provide bone marrow transplants, the first such venture to be set up outside London.

And there's also a healthy quality of life in Leeds plenty of splendid parks, outstandingly beautiful countryside on the doorstep and generous city sports facilities to promote a healthy body.

The new city-centre West Yorkshire Playhouse, the dassical and pop concert programmes, Opera North and City Varieties indicate the right amount of stimulation, escapism and sheer entertainment for a healthy mind, too.

PHONE BRIAN HOLDSWORTH ON 0532-463208 FOR MORE INFORMATION

Vise moves corporate base in the region". EEDS ČITY ÇQUNÇIL NDUSTRY & ESTATES

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AS the trans-Pennine train pulls into Leeds City Station it passes a large advertising hoarding on the left, featuring a monacled-huntsman holding glass of Tetley bitter. On the right, Giotto's tower stands proudly alongside the railway arches. The one, a Yorkshire icon, the other a monument to industrial grandeur, are symbolic of a city of contradictio that has made a successful marriage of Yorkshire values and entrepreneurship.

in a county with so many differing characteristics, Leeds has perhaps the hardest image of all. Here the bluff Yorkshire-man uses bluff and counter pub door among a group of Loiners - Loiners are to Leeds what Scouses are to Liverpool - contrasts vividly with the hesitancy to approach the bar and reach into the rarely plumbed depths of the trouser pocket to buy a round.

This carefulness, however, is regarded as a virtue in a city which demands value for money. When the aldermen of Leeds, bursting with civic pride, demanded the biggest and hest town hall last century, they blanched at the idea

of paying more for a tower in the architect's plans.

They asked him to make it an optional extra just in case they decided they couldn't thoil it after all. Thoil, incidentally, is a word it is necessary to appreciate to understand the Leeds psyche. A dialect deriva-tion of the Norse word, thole, to endure or to suffer, its widest meaning in Yorkshire is to justify an expense. It is one thing to afford something, it is another thing to *thoil* it.

In a rare expression of extravagance, the council opted after much deliberation to go over-budget and have the tower. The result was one of the finest civic buildings in the land which dominates the city's Headrow.

Architectural excess was a hallmark of the city fathers who had a tendency to invest their newfound riches from the woollen industry in Italianate structures such as the reconstruction of Glotto's capanile at the Duomo in Florence.

The scaled-down replica was built as a dust extraction unit at Colonel Thomas Harding's Tower works which used to make steel pins for wool comb-ing engines. A second chimney alongside is modelled on the campanile of the Palazzo del Signoria in Sienna or the Lamberti Tower in Verona, depend-

ing on which book you read. The new renaissance of 19th century Leeds did not stop at Italy, however. A hundred

# City of contradictions

Richard Donkin, who is not quite a Loiner,\* returns to the city where he worked for many years and reports on a successful marriage between Yorkshire values and its entrepreneurial spirit.

\*Loiners are to Leeds what Scouses are to Liverpool

yards from Tower Works is Marshall's Temple Mills which would look more in place on the banks of the Nile at Luxor. Huge blocks of milistone grit were used to construct this factory, covering two acres, in the style of ancient Egypt. While ignatius Bonomi, the architect, took great pains to model it on the Temple of Horus at Edfu he had to carefully insulate the roof to ensure the correct humidity inside for flax spin-

ning.
A layer of plaster was covered in pitch. Earth was showelled on top to prevent the pitch cracking and grass was seeded to bind the earth together. Sheep were then grazed on the roof to keep the

grass down. This combination of practi cality with innovation, coupled with a desire to make money and keep it, has long characterised this largest of the York-

shire cities. Unlike most of its neighbours it quickly diversified its industrial base, branching out into machinery manufacturing and engineering. One of its successes has been in the man-ufacture of industrial locomotives which goes back to the earliest days of steam power.

Matthew Murray, one of the great engineering ploneers, developed the first practical steam railway which ran from Leeds to Middleton, using a rack and pinion system. Instead of pressing on with nassenger train development and its accompanying kudos, typical of the Leeds entrepre-neur he decided there was more money in industrial

machinery.
The industrious nature of the Leeds workforce was given an enormous boost in the 1880s with an influx of about 15,000 Jewish refugees escaping the pogroms in Eastern Europe. The exodus was heading for Liverpool after setting down in Hull, but many never went beyond Leeds where they found a growing clothing industry crying out for labour. Many went to work for Sir John Barran whose Moorish-style mill, St Paul's House in

Park Square, remains one of the city's architectural delights. Barran was the man who asked a company of bandsaw manufacturers to develop the band knife so be could cut

several pieces of cloth at once. He also developed the single-line clutch to allow sowing machinists to vary their machine speeds working from a single drive shaft. Barran revolutionised tailor

ing into a mass production industry exploited later by Sir Montague Burton, Joseph Hep-worth and Michael Marks, whose penny bazaar on Leeds market was the forerunner of

Marks & Spencer.

The Jewish population, with some exceptions, has tended to maintain a reserve and detachment from mainstream city life which belies the strength and vigour it has imbued in the Leeds character. Leeds people perhaps have more in common with New Yorkers than with their near neighbours in Bradford and Wakefield. While Yorkshire humour is

certainly not lost to this city they still maintain that spar they still maintain that spar-rows in Pudsey fly backwards to keep the soot out of their eyes – the reality of modern Leeds is a thriving metropolis where the cloth cap image has become subordinate to pin-

stripe pretentions.

Leeds has never quite shaken-off a certain meanness of spirit, an arrogance which was once apparent in its football team and which is still visible in the hierarchy of Yorkshire cricket. Leeds Art Gallery is a fine building with a superb collection of Henry Moore sculp tures, but it is somewhat lack-ing in the number and quality philanthropic donations to be found in other regional gal-

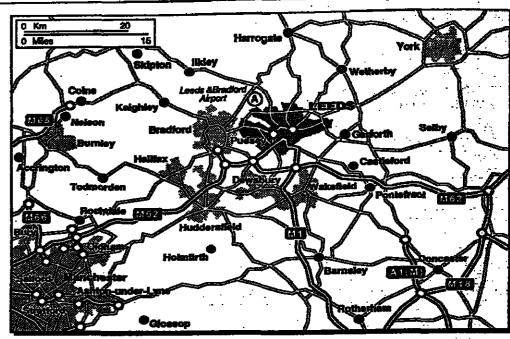
Benjamin Gott, for example who built his mill upwind of the city in 1824 and drove out the wealthier residents with the smoke from his chimneys amassed works by Titian, Rub aletto and Breughel at his Armley manor house. Where

are they now? Gott's Bean Ing Mills heralded a grimy industrial epoch for Leeds which led to a com-mon belief for generations that all stone was black. The smoke had its advantages. It helped to screen the city from German bombers during the second world war according to Mr Peter Brears, director of the City Museums. He recalls hear-ing one of the locals watching the cleaning of the town hall a few years back ask: "Why are

they painting it cream?"
Removing the grime has revealed a collection of some of Britain's finest Victorian and Edwardian gems in what is already proving to be another renaissance for Leeds. There is an over-quoted Yorkshire expression which says: "Where there's muck, there's brass." A better motto for Leeds Loiners there's more brass."



A city landmark: the Civic Centre and Gardens, Leeds



#### Paul Cheeseright reports on the revival

of the property market

# The race for space

REVIVAL of the regional economy has brought the prop-erty industry in Leeds along in its wake. There is little sign of a slackening pace, although the difficulties of the national economy have quietened the market and induced a greater degree of caution among prospective takers of new space.

Development activity resumed as commercial space, surplus in the mid-1980s, was absorbed and rents increased.

Much now depends on whether the Government's squeeze on the economy will be translated into a lower demand for space and how quickly that would take effect. "I'm bullish for the short term," said Ian Barraclough of

"There's another couple of years in it," commented Mel Burrell, chief executive of the Leeds City Development Com-

Edward Thorpe, chartered sur-

Individual property markets tend to move from shortage to surplus, running in cycles. The comments reflect the fact that the Leeds upward cycle started later than that of, say, the City of London, and, arguably, has not quite reached its top.

This needs some qualification. The chase for space in the retail sector has perceptibly slowed in consequence of high interest rates. Clayform's new shopping centre, Schofields, is open, but is by no means full. This does not mean that the retail trade itself lacks life. The top, open deck of the car park at Town Centre Securities' Merrion Centre, unusually, was full on a Monday after-noon, five weeks before Christ-

But in other sectors the pic-ture is different. There remains pressure for office and industrial space and, underlying these immediate market fac-tors, there is the start of the broader movement to renew and change the property fabric both of Leeds and the sur-

The bare figures of the sup-ply-demand situation for city centre offices point towards some further increase in rents, which have already increased for prime space from between £5.00 and £6.25 a square foot in 1986 to touch £16.00-£16.50 in a

Bernard Thorpe's figures estimate that next year over 400,000 square feet of new space will be completed in the central area, but, of this, 300,000 square feet has been pre-let or committed. Over the last two years, the annual

strictly limited number of

take-up of space has risen from 200,000 square feet to 350,000 square feet.

"Rental movements continue on an upward path when we have no more than two to 2% years stock. That is 750,000 years stock. That is, 750,000 square feet doesn't dampen the market. More than that does,"

said Mr Barraclough. This suggests that, given a fair economic wind, there is scope for more development and that it would be natural for the traditional business area to expand its boundaries. And there are three potential schemes on the west side of the city centre - from Town Centre Securities, Postel and Mountleigh - and two on the south teign - and two on the south side from NFC and a likely consortium of Leeds City Development Company, York-shire Rider and NCP with Rosehaugh as the developer. If all of these schemes went ahead, there could be an addi-

tion of some 3m square feet of office space to the stock, swamping the market for years. They will not all go ahead, of course. What is going now is, in effect, a planning race. The company with the first detailed consent and the

comfort of some pre-letting

In fact the race is complicated. The two southern schemes are in the area cov-ered by the Leeds Development Corporation, where there is fast track planning. And it is not clear what will be the impact of the Government decision to relocate 2000 staff of the to Leeds. This number of peo-ple implies a space need of around 300,000 square feet, the equivalent of about a year's take-up of space on the market. The need could most easily be met in one of these five schemes. But whose?

At any rate, the next wave of major office expansion in Leeds is likely to be outside the traditional business district. But dispersal of offices has already been taking place. The lack of new space in the traditional centre market has been a natural impetus for the growth of business parks just ontside - Lawnswood Rusiness Park or the Arlington Business

Centre, for example.
Further, the Government's 1987 decision to create the B1 category of general business use in the Use Classes Order ation of out-of-town space. This has presented the Leeds marnational problem: the race to B1 with its likely higher returns has led to a shortage of modern industrial space in the

areas where users want to be. This is reflected in the movement of rents in the industrial sector. They have moved from under \$3.00 a square foot to around \$4.50.

The market remains firm despite the Government squeeze Mr Burrell noted that Leeds City Development Company, with its schemes providing relatively small units, did not have to offer tenants concessions to take up the space. But this dispersal of busi-

ness space is likely to continue. Leeds is not spart from thue. Leeds is not spart from
the phenomenon of decentralisation which has been noted in
other major urban centres.
"Businesses ring the outskirts of towns. Why not go
one step further?" asked David
Parsons of Lyons Spawforth Urban Regeneration, the town planning consultancy with a string of projects in and around Leeds. He predicts not only further moves to business

side market towns as sites for business premises. Hera, then, is a property pos-sibility which rivals the early work in refashioning the out-dated industrial urban fabric of

parks but also rising interest in the Yorkshire and Humber



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#### **LEEDS 3**

#### lan Hamilton Fazey charts the growth of the legal sector

# A centre of excellence

THE NORTH's abiding Bank for more than 100 years weakness for many southern professionals is the quality of work it can offer London is in the big league and provides more opportunities to advance a career, congestion and com-muting are prices that have to

The lawyers of Leeds say that this no longer applies to them. They believe they have an unparalleled match of quality of work with quality of life, especially for lawyers with voung families

Since many of them are now London refugees with young children, they would say that, wouldn't they? But there is independent evidence in the growth of the legal services ector in the city during the last ten years.

finis was steady until about four years ago, when the graph furned sharply upwards. A critical mass seems to have been reached, triggering an acceleration that has seen many firms of solicitors grow two or three times in numbers employed since 1986. Four firms now employ more

than 200 people in the city, a figure matched only by the larger Birmingham. The result is a legal services sector that is now one of Yorkshire's greatest strengths. It is much stronger than Manchester's for

Much of its work is national and international; most firms have growing lists of London clients who can get as good a service from Leeds as anywhere, but at a lower cost because of chesper overheads. Back office work for Londen firms is as well done in Leeds and more cheaply. A two-hour train connection to

London is as fast as many a cross-London journey.
At the same time, Yorkshire's own array of expanding industrial and commercial customers, many of them national players, creates its own local

This in itself ensured there was already a good infrastruc-ture of reputable firms to build on. Booth & Co. for example, has acted for the Yorkshire

388

ess

and made a speciality of the

Simmeon Curtis was another well-established big firm, as was Hepworth and Chadwick. All grew organically, along with smaller competitors, some of which have also taken quan tum-leaps by merger to match the bigger firms for size. Walker Morris Scott Turn-

bull was one, Hammond Sud-dard another - the latter merger heralding a shift of emphasis in the firm from Bradford to Leeds. When Dibb Lupton of Leeds merged with Broomheads of Sheffield, the emony of Leeds in York shire's legal services - and potentially the north's - was confirmed,

Indeed, Dibb Lupton Broomhead now employs more than 400 people in Leeds, Sheffield and London. Mr Robin Simpson, the senior partner, says:

Much of Leeds' legal work is national and international,

The main firms in Leeds claim credit for recognising early where and how the mar-ket was moving. Many of us started offering specialised services 10 years ago, well shead of other firms in the north We made sure we kept in Leeds a lot of the work that used to go to the City, such as flotations, mergers and acquisitions, and hostile takeovers. This helps explain why are we doing better than other regions. We have developed a tradition of fleetness of foot

and flexibility."

Mr Peter Thompson, his opposite number at Hepworth and Chadwick, stresses that while the industry has acted communally in promoting Leeds, there have been no cosy arrangements. We have all done well out of each other because good competition keeps us all sharp and leads to

good business," he says.

Market segmentation, with
relatively few competitors in

each segment, is nevertheless



Peter Levine of Teeman Levine.

obvious. \*We are different from our competitors because we have the biggest base of manufacturing clients," Mr Thompson says.
"We give commercial, com-

mon sense advice to Yorkshiremen and have a name for com-mercial nous. But our client list is short on institutions, banking and insolvency," he

Booth & Co is rated top for banking by most competitors, Hammond Suddard's strength is planning, as is Dibb Lupton Broomhead's, which also speci-alises in intellectual property and insolvency.

Simpson Curtis claims mar-ket leadership in corporate finance, which in turn creates specialised needs in taxation, litigation, and banking; it also knows much about ESOPs employee share ownership pro-

Acquisitions Monthly last May ranked Simp-son Curtis first outside London and tenth overall in private bids and deals worth more than £300m.

All is not gigantism, however, for there are many smaller firms, all with a look of

partners and 56 staff, has been doing well enough to relocate to new offices that will allow more rapid expansion.

Growth has also created significant opportunities for

entrepreneurship, of which Teeman Levine is a notable example. It started in 1987 with five partners and has trebled in size in two years.

its Initial 400 sq ft of office space has shot up to 16,000 sq fi. The average age of the partners is under 30, compared with about 10 years older at Hepworth and Chadwick.

Mr Peter Levine, who is 33. says: "We are all refugees from



From the left: Seen Lippell of Simpson Curtis; Peter Thompson of Hepworth & Chadwick; and

larger firms in London or the region. We saw that there must be room for smaller firms to serve medium-sized or smaller

"We function entrepreneur-

ially with smaller, growing cli-ents. We encourage all staff to acquire a good working know-ledge of industry and manage-ment, using in-house training. We see our own business as consumer-driven.

"We seem to be finding a growing demand for this type of work. Clients don't come here because we are establishment. They come because of word of mouth or, in several cases, because they have experience of our acting for the other side against London firms and liked the way we did

continue to exert the biggest pull on London lawyers looking for better quality life, if only for reasons of relativity and London linkages.

Mr Sean Lippell, who joined Simpson Curtis from London,

says: "Working as partner number 162 in a big London firm is not very satisfying. The quality of work here is good but you don't lose touch with what is happening because you are dealing with London lawyers all the time.

"The point about quality is that we are responsible for generating much of the work as well as doing it. To a certain degree in London you are just a processor. You do what you

Leeds' other links are with commercial law firms in other cities. Mr Martin Shaw of Simpson Curtis chairs the Legal Resources Group, which includes firms in Newcastle, the north-west Birmingham and Bristol

Booth & Co is part of the M5 group, which links it to firms in Manchester, Birmingham, Bristol, Norwich and Cambridge. Hepworth and Chadwick has just joined Eversheds, another grouping, replacing Dibb Lupton Broomhead, which was concerned about potential conflict with the

work of its own London office.

Hepworth and Chadwick also sees Leeds becoming increasingly important in Europe because it is the big legal centre nearest the Humber ports, Language courses in French, German, Italian and Spanish are integral to in-house training now and each has at least six members of staff who are fluent.

If Leeds lawyers were ready for the 1980s in 1979, they look equally set now for the wider European opportunities of the

#### Key facts on Leeds

☐ Location: West Yorkshire; distance from York, 24 miles; Wakefield, 12; Sheffield, 33: Manchester, 40; Hull, 55; and

London, 190 miles. Population: 706,000; the second largest metropolitan district in the UK after Birmingham.

Area: 217 sq miles of which 140 sq miles is green belt. Communications: London (rail, hourly, 2 hours; road 31<sub>2</sub> hours): Manchester, 45 minutes by road; Liverpool, 90 minutes; Hull, 60 mins. Inland port: Stourton, the principal regional freight terminal

for the Channel Tunnel.

Airport: Leeds-Bradford, 8 miles to the North West; daily London air service: 10 air freight companies; Manchester airport, 60-90 minutes.

☐ Higher education: Leeds University, (tel.0532-333.444); Leeds Polytechnic, (0532-462.404)

Arts: City Art Gallery and Henry Moore Sculpture

Centre; Opera North at the Grand Theatre; the West Yorkshire Playhouse opens 1990, replacing the Leeds Płavhouse.

☐ Worldorce: Approx. 350,000 people, divided between manufacturing (25 per cent); services (67 per cent); and construction (8 per cent). Unemployment, 6.8 per cent.

Property: industrial sector, 44.1m sq ft of occupied factories; 32.3m sq ft of warehousing; office accommodation, 9.8m increasing by 275,000 sq ft a year.

Prime rents £15 per sq ft, and rising. Retail property, 7.3m sq ft; zone "A" rents are up to £165 per sq ft.

Useful telephone numbers include the following:

Area STD code 0532; Leeds City Council, 463 208; Leeds

Development Corporation, 446 273; Leeds City

Development Corporation, 446 273; Control cratics of British Development Company, 424 293; Contederation of British Industry office, 644 242; Chamber of Commerce, 430 491; Chamber of Trade, 449 655; Leeds Business Venture, 446 474; Yorkshire and Humberside Development Association, 439.222; British Rail, 448 133; Leeds-Bradford Airport,

509.696; Tourist Information Office, 462 454

# Clothing industry weathers the storm

WHEN the Prime Minister, Mrs Margaret Thatcher, serves dinner at Number 10 she may take the opportunity to tell her guests about the wine glasses. She certainly took the opportunity to thank the Leeds clothing firm who gave them to her. In a letter to John Jackson, chief executive of Centaur

Today the industry faces the

immediate impact of high

interest rates through reduced

consumer spending in Britain's High Streets. But most inde-

pendent observers believe it

will survive; due mainly to an

But in the short-term the pic-

ture is gloomy. The quarterly survey of the Leeds Chamber

of Commerce and Industry

shows that 26 per cent of com-panies in the sector have

reduced their labour force, and 23 per cent expect to do so

ability to fill niche markets.

prosperity about them.
Ford & Warren, a 150-yearold legal practice with, now, 14 Clothing, she wrote after a visit to the factory: "It is heartening to see that even the old established industries can survive and prosper when they combine such standards of excellence and endeavour.

It has 20 solicitors now and

The Chamber concludes: "Although 1988 was a relatively good year for both retailing and manufacturing in terms of consumer demand. and these statistics therefore

represent a fall from a relatively high base, the extent to which there has been a slump across all our indicators of per formance is very concerning."

The confidence of the industry, in defiance of the figures and the increasing threat from cheap imports, is based on its

transformation since the 1960s and its revitalised, "up mar-ket" image. It is also based on the dogged tenacity of those locally-owned firms which have survived a major recession by restructuring and diversification, and are determined not to succumb during an economic slow-down.

While the textile industry of West Yorkshire has suffered heavily, the Leeds clothing industry has experienced an "economic revival" – according to a report by the School of Geography at Leeds Univer-

sity. Author Louise Crewe concludes: "The dominance of the retailer within this increasingly market-led system is in many ways helping to revive the clothing industry; retailers are forging close links with manufacturers, offering guar-anteed contracts and large

It is of consequence that

The hard-hit sector shows strong tenacity

many of Britain's top multi-ples, like Burtons and Marks and Spencers, started life in Leeds and that there are con-tinued links with the local clothing industry. Unlike the pattern in France and Germany, the British clothing manufacturer can secure a huge market with one con-

The continental pattern, which requires clothing makers to tour individual high in the drive to keep labour

street stores, is absent in the UK. As Chris Holland of the Leeds CBI puts it: "Once you have cracked the major buyers. you have cracked the whole

It is also noteworthy that

two of the three largest suppliers of retail credit in the UK, Burton Group Personal Account and Club 24 are based in the city; the third, Marks and Spencers, was born there. This industry is literally interwoven with the historic tradi-

Leeds clothing concerns, like Centaur Clothing, B. Berwin Ltd, L J. Dewhirst (Uniforms), and Benjamin Simon, remains one of the three main strands of the Leeds economy and as such is a major employer: 1984 figures showed 11,300 people working in clothing in the city and 20,925 in West Yorkshire, of which 75 per cent were

costs down in the tough trading period ahead, practices such as homeworking will increase. Louise Crewe, in her report, noted: "Labour forces appear to be on the receiving end of a variety of casualisation strategies which are com-bining to undermine the quantity and quality employment.."

A small cloud on the horizon springs from the opening up of the Iron Curtain and the breaching of the Berlin Wall. Major clothing producers are worried that under the Berlin tion of textiles and clothing. Agreement, which allows trade between the Germanies free of EC dues, a flood of cheap imports could wreck their market. And the UK market is

> The immediate threat to the clothing industry, however, is high interest rates.

exposed: a West German seller

could make contact with many

of the country's top buyers in

one trip to Oxford Circus.

**James Kelly** 



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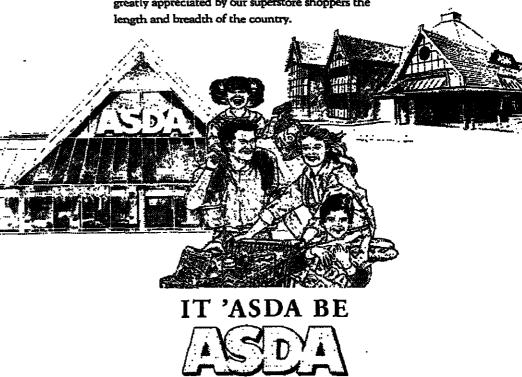
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# Two faces of 'The Leeds'

LEEDS is the home city of two building societies, both in the national top twenty. Both, a litnational top twenty, both, a fit-tle confusingly, bear its name and sport blue and white col-ours in their logos. And both have a way of referring to themselves as "The Leeds" as if the other society did not

Leeds Permanent, the larger of the two societies, is still in many ways Leeds's premier financial institution, Its offices in the Headrow look straight across to the City Hall Leeds Permant is the fifth largest UK society with assets of £12.9bn and a network of 420 branch A little farther up the road is

the headquarters of Leeds & Holbeck, a smaller society with assets of £1.4bn - making it number 18 by size. Leeds & Holbeck has a petwork of 75 branches stretching from Aberdeen to Southams

ton. It has more than 30 branches around Leeds and still retains very strong local Four years ago the two societies came close to merging,

then pulled apart at the last moment. Any thoughts of join-ing forces now seem to have been abandoned for ever. The main point in favour of the merger was the need for new computer systems." says Mr Arthur Stone, chief execu-tive of Leeds & Holbeck. "But

that is no longer necessary.
We're profitable and growing very well at the moment."
However both societies have to think hard about their future. Their size places them in what the industry calls "the dangerous middle ground." They are too large to be local niche players and perhaps not

ing banks. That seems to be the view of Mr Mike Blackburn, chief executive of Leeds Permanent. When he took over Leeds Permanent two years ago, the society was regarded in the industry as one of the slower moving in the top ten and in urgent need of a mana-gerial shake-out.

Two years later the shake-out is well under way. Together with Boston Consul-tancy Group, Mr Blackburn has drawn up a strategic plan for the society's future which, broadly speaking, involves cut ting costs, upgrading manage-ment, and focussing on the society's traditional savings and loans business.

Some of the innovations seem rather startling for an organisation the size of Leeds Permanent. It was left to Mr Blackburn, for example, to introduce management accounting to the society.

The operation has been painful. A network of 1,700 full agency outlets was slashed to 450. Last September, Mr Black-burn ordered the closing of 60 of Leeds Permanent's 481 branches with the loss of 242 jobs. Around the same time, the society's finance director departed.

However Mr Blackburn has decided against taking Leeds Permanent down the route followed by Abbey National last summer and turning the society into a PLC. He has also decided against introducing a cheque book current account the cornerstone of a fullyfledged retail banking opera-

large enough to compete on an all-round basis with the clear-

lost 25.9m on its estate agency operations (where some cuts are also planned) and £7.5m on its charity Visa card. Mr Blackburn was a credit card execu-tive before he joined Leeds Permanent and took the society into the credit card market earlier than most others. Another of its distinctive features is that it pays financial intermediaries for arranging introduc-tions to mortgage customers.

The payments cost it about £3m in the last financial year. But the rewards of a more focused approach have also been clear. This year Leeds Permanent pushed its pre-tax profits up by 13 per cent to \$138.5m and doubled its share of the hullding society most. of the building society mort-gage market from 4.7 per cent in 1987/8 to 9.96 per cent in the year just ended.

Meanwhile, up the road, Mr Stone reported profits of £11.4m. The profits have been achieved by holding costs down and avoiding expenditure on automatic teller machines and other retail

banking products. Mr Stone admits that Leeds & Holbeck has a stream of visibanks and some insurance groups as well as other societies, knocking on its door with offers of mergers and takeovers

— "we just say, 'Nice to meet
you,'" he says.

With its branch network and

strong local links in Leeds, Leeds & Holbeck is not suffering from the same sort of pressures on its mortgage business as those which recently made Guardian (a society very nearly the same size as Leeds & Holbeck) agree to a takeover from the Cheltenham & Gloucester. Mr Stone admits that the terms of that deal which allowed part of Guardian's reserves to be shared out with its members - came as a shock to smaller societies such as his own.

However Mr Stone does not believe that Leeds & Holbeck is vulnerable to a similar takeover or possible revolt by members seeking a cash handout. "Unlike some societies, our reserves are close to the legally required level, so we don't have that surplus to interest a predator."

The society has just spent £2.5m to place all its branch operations on-line in realtime. Leeds is booming." Mr Stone says "And our investment and mortgage business is holding up very well. All the indica-tions are that we shall be able to stick to our knitting."

**VENTURE CAPITAL** 

# **Expertise abounds**

THE DOORWAY of the Leeds offices of 3i, the venture capital specialists, looks across the street at the newly opened offices of Lloyds Merchant Bank. Not much further away are County NatWest and York Trust and still within easy walking distance are Yorkshire Bank Development Capital, an offshoot of Yorkshire Bank created this year, and Yorkshire Enterprise, a specialist lender which began life as the West

Which began hie as the west Yorkshire Enterprise Board.
"You don't need to go to London to get deals put together." says Mr Peter Clay-don, assistant managing director at Yorkshire Enterprise The expertise is here to do the job as well as any City firm." To explain why Leeds is fer-tile ground for venture and development capital operations, Mr Charles Monck, chief executive of the York-shire and Humberside Development Authority, points out that Leeds services an area which has a population and GNP the size of Scotland's.

"This region has the highest proportion of firms in the 100 to 500 band and a higher pro-portion than average of independent small companies. It also has a relatively small pro-portion of firms with more

STOCKBROKERS

than 1,000 employees." says Mr Monck. "In other words you have got a large number of medium-sized firms requiring sophisticated financial ser-

A steady flow of new entrants to the market, has kept the number of PLCs in Leeds and the surrounding region fairly stable despite takeovers by larger firms. There have been 50 new PLCs established in the last seven years alone. So both venture capital activities - lending to younger and riskier companies and development capital —
 helping established firms expand – are thriving businesses in Leed's financial com-

munity.

At 3i, Mr David Wilkinson, regional director, says that his three Yorkshire offices (3i is in Sheffield and Hull as well as Leeds) are still receiving a steady stream of approaches. About one in ten of these leads to a deal but 3i, having once met a company, likes to main-tain contact with it even if its

present size is too small to make it a candidate for a deal. As for the size of deals, 31 does many that are close to the national average of £500,000 though there are also smaller ones, under £200,000, and much larger ones such as a £3.5m wholly funded deal for Batoil in Leeds earlier this year. When Mr Wilkinson started

work at 31 12 years ago, he was alone in the field. Now he faces competition on several fronts. His nearest rival is probably County NatWest Ventures, but Yorkshire Bank has set up a subsidiary in this area, headed by Mr George Shiels. Yorkshire Bank Development Capital Limited invests up to £2m of its own money in individual transactions and has the capac-

ity to syndicate larger deals.

Mr Shiels, formerly of Charterhouse Development Capital, is a specialist in management buyouts. YBDC however will not only target MBOs and management buy-ins, it will go in for traditional development capital investment by buying shares in companies with a good management track record and prospects of healthy

Another leading player in the Leeds market is York Trust, a corporate financial services group set up in 1982 by Mr Nell Balfour. Working together with Yorkshire Enterprise, York Trust has set up a 225m fund, called the York-shire Fund. "It gives our local contacts their own pool of capi-tal and also acts as a magnet for deals to come to us." says Mr Neil Milne, executive direc-tor of York Trust.

tor of York Trust.

There is also competition from outsiders, including Charterhouse Development Capital and the Development Capital Group. Hill Samuel, the merchant and corporate banking sum of the TSB Group, used to have an office in Leeds have an office in Leeds between 1972 and 1984. Mr Hugh Gillespie, director, says that he still covers the ground

from London as well as he can. He is helped by the fact that he kept his home in Yorkshire even when his job moved

TSB Development Capital now under the Hill Samuel umbrella, handles development capital. For although Hill Samuel can handle venture capital transactions in Leeds such as MBOs and advises owners on their sales of their companies, it does not regard it as a main-

it does not regard it as a main-stream activity.

It has employed Mr Howard
Birkby as manager. "The local
business and professional com-munity expect to see transac-tions handled at a local lavel."

says Mr Birkby.

Local knowledge of companies is particularly important when the national economy seems to be heading for a recession. As yet few deals seem to have come unstitched although 31 this summer had to arrange a re-financing for one deal and others are reputed to have taken place at other houses. At Lloyds Merchant Bank, Mr John Richardson, director, seems to believe that testing times lie ahead.

Yorkshire Development Capital which has so far lent a total of £22m to 113 companie lending smaller amounts than the banks and usually trying to inject new management skills at the same time, takes a slightly different view. "Higher interest rates are good for us, bad for the economy as a whole." says Mr Claydon. "One of the effects is usually that it encourages firms to accept an equity stake from the outside. Seven years ago, there was no question of many firms taking an equity stake. The Yorkshire tradition of self-reliance dies



IS STOCKBROKING in Leeds finally about to make the quan tum jump between the retail and corporate market?

For years Leeds has been the home of several thriving stockbroking firms and the city's new prosperity and reputation as a financial services centre is attracting a steady stream of

Until recently, Leeds stockbroking has been slow to shake off its dependency on the personal customer - and not always the wealthiest personal customer: some Yorkshire brass has always preferred to look to London for financial advice, and never more so than when taking corporate deci-

Mr Tony Elviss, partner at Broadbridge Lawson, admits that his firm tends to look towards retail rather than personal customers. It relies on its ability to charge less than half the London rate and to handle smaller portfolios. The firm relies entirely on commissions.

Broadbridge Lawson is one of seven firms of stockbrokers in Leeds, most of which have other bases for their operation. Broadbridge, for instance, also has offices in Halifax and Wakefield. In the last two years however, the Leeds stockbroking scene has been galvanised by a new wave of stockbroking arrivals from the

Two firms - BWD Rensburg of Huddersfield and Henry Cook of Manchester - both

Corporate targeting

with their eyes firmly on the corporate as well as the por-sonal market — have set up in Leeds and offer a range of ser-vices which go well beyond what traditional stockbrokers have been able to provide.

Perhaps because of this challenge, Leeds firms have been investing in new technology and stepping up the services they are able to offer their customers. Redmayne Bentley, another Leeds firm, says it is carving out a very successful niche in the personal market.

Among their innovations is a sharecard, now held by 20,000 customers, giving instant access to the firm's dealing rooms for both dealing and advice. Redmayne Bentley has VILY in compu terisation of its customer ser-

The two outsiders look for-midable competitors. BWD Rensburg is a financial serkensburg is a inpancial services house which has been assembled out of Battye Wimpenny and Dawson, a Huddersfield stockbroking firm, and Rensburg of Liverpool. It was the first British stockbroker to be a lighter on the Hulleted obtain a listing on the Unlisted Securities Market in April 1988,

its capital owned by one of the region's major financial players, the Yorkshire Building Society.

Yorkshire Building Society's ourchase of its stake in BWD Rensburg was the first of its kind in the UK market. The link is being used to reach new customers through six money centres which the society has established. Building society excursions into share dealing and stockmarket operations have not been very successful exception which points the way forward for financial ser-

Henry Cook entered the Leeds market at the start of & Pemberton, a long estab-lished Leeds stockbroking house. Its arrival was a clear signal that the firm believed that there was a gap in the market for corporate finance stockbroking operations. The firm has recruited Mr Robert Wilson from York Trust, the former head of its corporate finance department in Leeds. The strival of the Group has created a heavy weight finan-cial services house with strong

stockbroking activities to a So far BWD Rensburg has been appointed regional adviser to Yorkshire Water and Yorkshire Electricity, both of

chester and an impressive range of services from private

which are being privatised. Still on the retail side of the business, Redmayne Bentley have gone a stage further than some of their competitors by developing a charity link-up which donates £1 for every Water Shares application form processed through them. The aim is less to encourage people to invest in the shares than to show them a way of donating funds to a particular charity.

This perhaps is one reflection of a generally felt need to signal their presence to the outside world. One widely favoured solution, common among stockbrokers, is the information letter or statistical

Information is strongly prized. Redmayne Bentley off a quarterly newsletter, which goes out to 5,000 investors, offering tips and advice. BWD Rensburg publish a "Quarterly Review of Yorkshire Companies" which has become the standard reference volume for anyone wanting to know about business activity in Yorkshire as a whole.

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Asset Finance

WHEN Midland Bank set up First Direct, its telephone banking subsidiary, it chose to

locate the operation in Leads.
From his new headquarters in the Allington Centre, Mr.

Mike Harris, First Direct's chief executive, looks out at NatWest's Switch electronic

debit card processing operation and not far away is Barclay-

card's Connect processing

The presence of three recently-set up retail banking pro-cessing operations in Leeds is obviously not a coincidence.

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RETAIL BANKS

# An anxious pause

an entirely autonomous opera-tion within Midland, — at least until well after the launch period — it is not a fully fledged subsidiary but an oper-ating division. Its autonomous "Leeds is a good financial centre with a big catchment area." says Mr Harris. "The availability of high class premises at a reasonable cost within easy reach of London was one factor in our decision. The status reflects Midland's view that the bank is something totally new in banking history able to customers over the

First Direct is not a home banking system like those already offered by Bank of Scotland or TSB. In home banking customers belong to an ordinary branch but can interact with their branch by sending signals into a computer at a processing centre over the telephone. First Direct, with telephone services available 24 hours a day, is an entirely non-branch operation and its customers don't put

instructions into a computer.
They talk to bank staff.
It is also different from "loans by phone" operations, such as TSB Direct in which customers can negotiate loans over the telephone. "We aim at an all-round relationship with our customers. You can't eascross-against loans." says Mr Harris. In its first month, First Direct has picked up about 10,000 customers including a sprinkling of mortgage business. Around a fifth of its customers come from Midland reflecting First Direct's aim of finding its customers elsewhere. Mr Harris says that the typical First Direct customer is up-market and more finan-

on its accounts, including 8 per cent on current accounts. First Direct is not of course the first bank to base its operations in Leeds. From its Leeds headquarters, Yorkshire Bank runs a 247-branch network which last year made profits of £100.8m on assets of 23.2bn. Though traditionally regarded as a personal market bank relying on efficient branch operations, Yorkshire Bank is a group in its own

cially aware than average. He

may have been attracted by the high rates First Direct pays

right.
Yorkshire Bank's profitabil-

for prospective foreign buyers. In August, the bank's owners — NatWest, Barclays, Lloyds, and RBS — decided to put it on the market. The price they are asking is believed to be around £800m to 900m and rules out UK purchasers including RBS which might otherwise have seen Yorkshire Bank as a natural acquisition target.

There is said to be a field of three possible purchasers, headed by National Australia Bank and including at least one Japanese Bank. However, would-be purchasers including some Japanese ones have, like RBS, generally been deterred by the high price the clearers are asking. From the clearers' point of view however, they are not receive selling a hank are not merely selling a bank widely regarded as the most profitable in Yorkshire, they are also granting an outside competitor entry into a crowded retail banking market.

The Big Four clearers are all active in Leeds and Lloyds has placed its regional office there as well, joining NatWest by setting up a merchant banking operation in the city. With interest rates higher than they have been for more than half a decade, they are watching both the personal and the small business market carefully for

"Leeds hasn't suffered a recession to fact business is still booming." says Mr Alastair Thompson, director of Barclays Leeds Business Centre. "But there are one or two signs of things slowing down and retail trade dropping off."

Across the road, Mr Arnold

Fear, deputy regional director for NatWest, detects similar signs that traders in the high signs that traters in the light street are beginning to feel the pinch. Those with long memo-ries in the banking profession in Leeds recall that a downturn in business in the 1970s encouraged some financial services market players to pull out of Leeds and it was not until the last few years that the city was able to reassert itself strongly as a financial

Could the same be about to happen again? Bankers in Yorkshire are cautiously opti-mistic, pointing out that Leeds and its hinterland has several things working in its favour, including a propensity to save which is far stronger than in the UK as a whole. Nonetheless 1990 looks like being a fairly difficult year, at least by comparison with the two which came before it.

not a front-rank UK merchant banking centre although County NatWest has been present in the city for 15 years and Singer & Friedlander for 30. That now appears to be changing: Lloyds Merchant

Bank opened its Leeds office on October 4 and there is talk that Hill Samuel, the merchant banking arm of the TSB Group, Meanwhile County Nat-West's longest-established comwill be next to set up a branch "Lloyds Merchant Bank is very interested in serving medium to smaller PLCs as its

core activity. Lloyds is already very strong in Yorkshire and its northern head office is in Leeds. So the city seemed the right place to go." says Mr John Richardson, director, who joined Lloyds Merchant Bank from County NatWest. Mr Richardson is now head-ing a three-man team handling corporate finance, flotations, as well as mergers and acquisi-tions. Another Leeds-based

runs a second three-man team for Lloyds Development Capital, a subsidiary of the bank. His team specialises in Devel-opment Capital, equity funding, management buy-outs, and buy-ins. Lloyds head office has given the Leeds operation considerable autonomy and the need for it to have very strong con-

director, Mr Geoffrey Weaver,

tacts with companies and busi-Mr Richardson believes that Leeds is set to equal Birming-ham and perhaps compete with Manchester in the next few years — "a lot depends on the new players coming into the market. If you are a serious

'As a business and financial centre, Leeds is growing faster than Manchester.'

player, then you've got to take a long term view of your prospects. If a new player was to come in here and then pull out, it would do serious harm not just to itself but to the Leeds

narket as a whole. Lloyds Merchant Bank is emphatic that it takes a long term view of prospects in Leeds. But there have been withdrawals in the past, most recently by Pru Bache, the US financial services group, which set up a branch in the city in the mid-1980s only to close it a

ated relatively few ripples because its decision to set up in Leeds was something of a surprise in the first place. The merchant banking team it had recruited was quickly re-ab-

sorbed by other groups.

That is typical of a growing corporate finance market in which all the main players know each other well and opermuch of which is in turn attributable to the cluster of strong law firms in Leeds suc as Booth & Co, several of which have large corporate finance departments and are used to working closely with the merchant banks.

The role of the city's top four law firms tends to crop up in any conversation about corpounder its director Mr Michael Frank, is the dominating presnce on the Leeds merchant banking scene. Mr Frank, a specialist in mergers and equisitions, and disposals and flotations, ran Pru Bache's Leeds operation during its brief existence, but was eagerly taken back by County when it

Will County be able to keep its lead as the market place becomes more crowded, espe-cially it it continues to suffer pioneers – having its key men

# More join the local ranks

MERCHANT BANKS

wooed away by headhunters working on behalf of new com-petitors? At present a good slice of Leeds merchant banking busi-

ness is still done from Man-chester where BZW and N.M. Rothschild are based. A decision by either of these two players to set up a substantial presence in Leeds may come

petitor on Leeds territory is Singer & Friendlander who have been in the city since the

1950s. Mr David Courtman, director, says his branch's activity is divided between activities such as flotations and mergers and acquisitions deals, corporate lending, and managing an investment portfolio of over £100m in funds belonging to private clients and pensions. Singer & Friedlander however stay out of venture capital deals in Leeds. Courtman says. "In London, you sit by the telephone. Up here you've got to get out and

'You've got to get to know people. Yorkshire takes a bit longer to trust people'

get to know people. I think some Yorkshiremen take a bit longer to trust people. But as a business and financial centre, Leeds is growing faster than

Manchester."
Singer & Friedlander are content with a much lower profile in the city than County NatWest. "Our business comes from word of mouth and happy customers." says Mr Court-man. "Of course, because we don't go in for 'tombstones' in the papers that inevitably makes some people in Leeds ask how active we are. This

another six in the pipeline for completion before the year

The deals are described as all fairly sizeable, though not huge by London standards. Mr Courtman is emphatic however that all advice from Singer & Friedlander's branch in Park Row is done out of Leeds. decisions are taken here." he

Having seen other merchant banks come and go over the decades in Leeds, Mr Court-man watches changes in the scene a little quizzically. "Every now and then someone makes a foray into Leeds." he says. "Even if it is only a post

He is fairly bullish about the prospects for the region. "There is a tremendous upsurge of decent industry around Leeds." he says. "Even in the present state of the mar-ket, I can't see that ending for the next few years."

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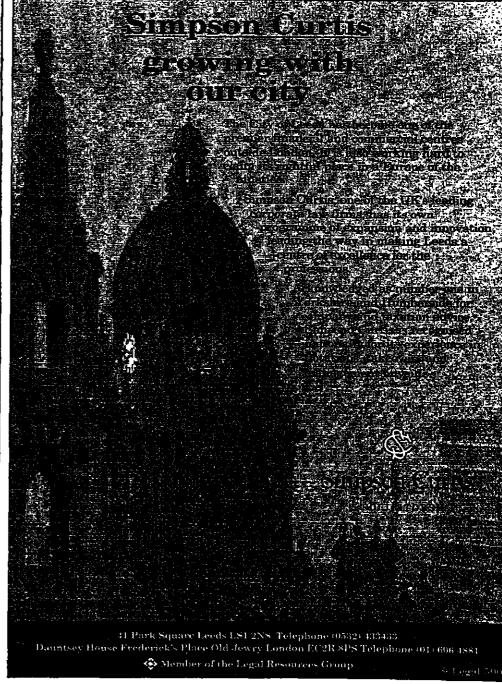
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charge of the engineering, fluid

mechanics and tribology

department. They find it costs less than carrying out research programmes within their own commercial organisations and

also enables them to tap into a

in their origins as

institutions to educate

the local community

Dancer, assistant director and

management co-ordinator of

the polymer Interdisciplinary

Research Centre (IRC), set up at the university in October, are concerned that industry-

sponsored research of this kind

can result in short-termism,

# Still gaps to fill

Open Day in May, and plans it carefully to fall on the Saturday between the FA Cup and the Rugby League Finals.
But the enthusiasm of the

local population for football does not detract from its enthusiasm for its local centres of learning. The last open day attracted between 20,000 and 30,000 local visitors on just a

Both the university and the polytechnic in Leeds have grown up inextricably linked with the locality. The university was originally set up as the Yorkshire technical college in the 1880s to give scientific and technical training to mem-bers of the local community working in the textiles, mining and engineering industries. It later merged with the Leeds Medical School before receiving its university charter in

The polytechnic followed a similar route, and is now a merger of seven Leeds colleges. and commercial school, set up in 1845, and is the basis of the polytechnic's claim that it is an older institution than its neighbouring university.

The academic achievements of the university and the polytechnic today are firmly rooted in their origins as institutions to educate the local commu-

being coated, not just the part that needed it.

nity.
The university produces more engineering and technology graduates than any other English university, for exam-ple, and mechanical engineer-ing was one of three departments to receive top ratings in the recent Universities' Funding Council assessment of research. The other two were

education and geography.

The polytechnic, too, is a front-runner in engineering, manufacturing systems and

computing.
The university department est in the UK, and compares in size to anything the US has to offer. And the university will have the largest mining department in the country, once the merger between the Leeds and the University of Newcastle mining department is com-

As with many large civic universities, the influence of the medical school is all-perva-sive. If you are admitted to hospital in Leeds, these days, there is a 40 per cent chance the person treating you will be an employee of the university or someone working for one of

But although its centres of expertise have grown from roots in the local community, the university is now flourish-ing by exploiting this expertise

a n n i n g

breadth of intellectual resource often unavailable in the indus-The worry for the university staff is that local industry is But Professor Dowson rues that small to medium sized not keeping up with research work done in its laboratories companies from the local community are not switched on to

and research departments. The department of textile Ninety-five per cent of the undergraduates come from the UK or Europe, but the majority of the posi-graduate students

are from further afield.
"It's a matter of some conern for us," says Professor Eric McIntyre of the textile industrier department, "because we think that the post-graduate training is appro-

priate to UK industry."

He says that local textile industry is concerned too. It is perturbed that its local univer-sity is training students from overseas - the Far East in par-ticular - who will compete vith the UK's indigenous manufacturers.

The mechanical engineering department is in a similar position. Up to 70 per cent of its research funding comes directly from industry, but from national industry - Rolls Royce, ICI and Leyland Daf. for example - rather than local

Large companies such as these find that research con-tracts with the university have two advantages, reflects Professor Duncan Dowson, in

with long-term scientific benefit undermined for the sake of commercial gain. "The danger is that this short-term research does nothing to build the scientific base, which is what industry wants the universities to do," says Mr Dancer, until recently a

research manager in BP.
For the polytechnic, the strongest links with Leeds the city are through its business faculty. It is one of the largest in Britain, with 4,000 students. And like the university, the polytechnic is gearing up as centre for both local and international expertise for the next

On a local level, the business faculty is concentrating on accounting, law, banking and insurance — expertise needed as the city develops its role as a leading financial and com-

It is also looking further afield and training its students in international business practices, with courses, for example, which have alternate esters in West Yorkshire and France.
If the relationship between

local industry and the university is not as strong as many would like, the relationship with individuals in the community certainly are. As an employer, the university ranks among the top three in the city after the local council and the national health service.

Seventy per cent of all university income - worth over £106.5m in the year ending July - goes on wages, and not just wages for the academic

GLASS-MAKER Pilkington may have its roots fixed on the eastern side of the Pennines, but it has Leeds University to thank for the development of one of its more interesting products.

That is Cosecure, a daily dose of cobalt, selenium and copper which ensures that ani-mal livestock — sheep in particular - get their required amount of minerals.

The novel feature of Cosethis form of research in the cure is the way those minerals are given to the animals; in a tablet of dissolvable glass. As same way as the multination-

Others, such as Mr Stuart the lozenge disperses in one of the ruminants several sto-machs, the nutrients are released bit by bit over the The academic period of a year. achievements of the The go-between in the deal university and the between Pilkington and the university was University of Leeds Industrial Services polytechnic are rooted

> Having grown from a seed organisation in 1982 with two staff, Ulis now has 70 on the payroll and a turnover of £5m a year, and is viewed by the university as a vital conduit for increasing the university's revenues as the squeeze on government funding of higher

(Ulis), the development and

marketing company of the uni-

education continues. Other organisations and routes have also been set up or expanded. The university's department of continued professional education, for exam-ple, which uses mainly university staff to give business or professional courses, has geared up over the past 18 months and now accounts for about five per cent of the university's business

In June 1988, the Leeds University Foundation was set up, to increase sponsorship from alumni and businesses to fund research projects and finance building work - and both are now expanding.

Director of continued profes sional education, Frankle Todd, says the courses overall have to be self-financing, and are increasingly being viewed as a way of generating income. "There are more nebulous benefits, though," reports Mrs Todd. "Colleagues see relation-ships with outside companies as a way of helping students

from the unversity get jobs at the end of the day. The Foundation development director, Keith Copland, has also set up the US Founda-tion for the University of Leeds, with the aim of scouring the US for funds from ex-stu-

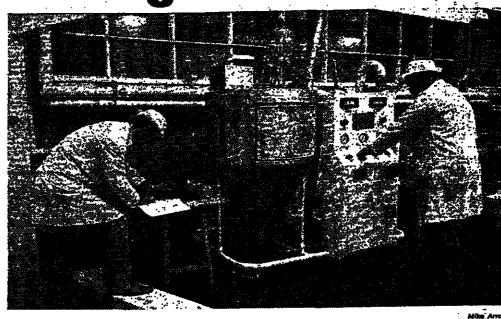
dents of the university. The university is now planning to appoint someone to head up a research enterprise office to work in conjunction with Ulis. The office's main aim would be to protect and exploit the university's intellectual property rights.

ments are inevitably small by industrial or commercial standards. Perhaps because of that their approach to projects is pragmatic.
"We can work on a royalty

or licensing basis. Or the rights for the development can be bought outright," says Ber-nard Stone, managing director of Ulis. "And sometimes we need venture capital to fund

Marketing research to industry

# 'The go-betweens'



erchers at work in the Food Sciences Laboratory of Leeds University. Relations with the food industry became strained during the controversy over salmonella in eggs.

man if required. They can be

for one particular company, or bring together people from a variety of backgrounds and countries.

"Having cottoned on to this,

we're beginning to exploit it. Clearly it's another market, but it's also of benefit to the

region. It's enormously useful

for locals to get together with

colleagues from other coun-

tries. In some sectors, such as construction and engineering, companies have to think glob-

To illustrate the point, Mrs

Todd points to a course being set up by her department and the Pennsylvania State Univer-sity to train US engineers who

want to expand their activities

into Europe.

One of the much emphasised

selling points of the universi-

ty's wares is the ability of such an institution to bring together

areas of research from across

the campus, an impossible task



Bernard Stone

the developments. If there is a high risk, then companies expect a higher return."

Ulis's single largest source of income came when it sold off one of its units lock, stock and barrel, Maxwell Communications bought the Organic Reactions Access by Computer (Orac) project, which maps out the various routes by which organic chemical can be developed, from Ulis for £1.6m. In terms of ongoing income,

one of the most successful projects is in consultancy, rather than licensing. The geographical modelling and planning (Geman) system, developed in the urban and regional geography department, is a comput-er-based system incorporating social and geographical infor-mation on regions of the country. It is being used by retail outlets and distributors to help plan the effects of opening a store, say, in a given area. Who will go there? How far will customers be prepared to travel? How will it affect other stores

in the vicinity?

Mrs Todd reports that her courses can be run on campus or off, for up to 300 people or just cater for a sole business-

Not long after, with our help drafting

the specifications. Davy had their mains-

tenance schedules and speeded production.

And it increased their share of a tough

Yet we haven't charged them a thing

more competitive. If you're busy, so are we

What we're trying to do is make industry

trial concerns. The Cosecure development, is a case in point, as is work done on polymers by the departments of textile industry and chemistry, and on cancer seeking drugs by the departments of biochemistry and colour chemistry (which focuses on dyes for the textile industry).
Professor Stan Brown's projective depart ect in the biochemistry depart-

ment was to find a cancerfighting drug that could be activated by a specifically focused laser beam, to ensure that only cancer cells, and not healthy ones, were destroyed. To do that he needed a drug which absorbed red light and stuck to the cancer cells exactly the sort of task the colemistry department was working on in its dye research

But as relations with the commercial world expand, there are inevitable growing pains, in particular trying to marry the academic freedoms of a university with the commercial interests of would-be sponsors, as Keith Copland dis-

One of his projects is to obtain commercial funding from the food industry to the tune of £1.29m to add extra laboratories to the university's proposed food science complex. The crunch came with the recent food scares on salmo-nella and listeria, when Prof. Richard Lacey of the microbiolticularly forthright views on

the food industry's role.

That, says Copland, "did not make the relationship with the food industry any easier". Della Bradshaw

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staff (residences and catering operations cost £5m). The university and polytechnic between them fill the city with over 22,000 students every year. That number is growing, as the university looks to increased student numbers as SINCERS CENTRE FOR EUROPE SPICER & OPPENHEIM **PAUL QUANTOCK** TIM HARVEY 0532 442629 0532 439021 increased student numbers as a way of filling its coffers. Authorised to conduct investment business by the Institute of Chartered Accountants in England and Wales T was almost that simple. But it left us with another problem But, like many of the problems that what on earth do we replace it with? Yorkshire Electricity Business Development are Which is precisely what happened with Business Development Engineers never asked to solve, there was more to it than that, rush in with quick, easy answers. We prefer to Davy manufacture industrial bearings consider the problem carefully and make sure that have a white metal lining in the bore. the solution fits your requirements exactly. Before this metal could be applied, the And we'll work in close partnership with entire bearing had to be dipped in a huge bath of molten tin

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**URBAN PROBLEMS** 

# Turning the tables in the inner city

people in Leeds are changing their lunchtime arrangements and booking tables at Dr B's, a new Caribbean restaurant in the Chapeltown Road.

Knowingly or not, the diners are playing their part in a little parable of inner-city revival. Although Chapeltown Road is a mere minute or two's drive from the city centre, it is located in an entirely different Leeds. Evidence of high unsur-ployment, poor housing, drug dealing and varieties of crime can be found in Chapeltown and its neighbouring inner-city district of Fiarehills by the visitor who cares to stop and look

Most business people, com-muting between Leeds's outer suburbs and its city centre offices, tend not to stop and look around. One of the attractions of Dr B's is that it is beginning to entice back into the inner city people who would never otherwise visit it. The Dr B in the restaurant's

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title is Dr Barnardo. Bernar-do's, the charity which he founded, has established the restaurant with help from the Government and Leeds city council as a YTS scheme which will teach catering skills to local young people in the imag-inative and attractive setting

of a real-life business. of a real-me business.

Dr B's is one of a variety of schemes which are trying to ensure that the people of the inner city, who experienced the full effects of recession and unemployment in the early 1960s, are not left behind again as unemployment falls. as unemployment falls.

In common with many other parts of the country, Leeds's inner city problems are heavily related to the needs of ethnic minority communities. Around 6 per cent of Leeds's population comes from ethnic minority has been end of the four contest of the four end of the four contests has been expected. ity backgrounds - a low figure compared with neighbouring local authority areas like Bradford and Kirklees, and broadly equivalent to the pre-portion of ethnic minority citizens in the national popula-

But some 80 per cent of

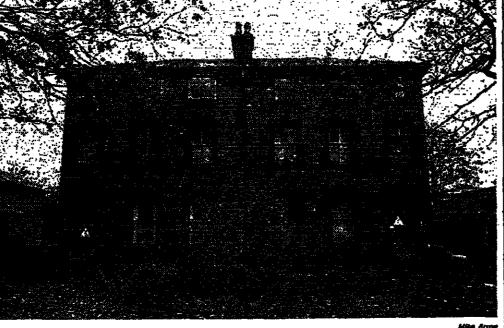
Leeds's ethnic minority fami-Hes live in the inner-city areas where social and economic pressures are greatest. The city's largest ethnic minority groups are Asian and Afre-Carribean, but Leeds also has strong Chinese, African, Viet-namese, Turkish and Arab communities. Unemployment for all ethnic minorities is higher than for the white population, and is exceptionally high for some minority communities.

Again in common with black people in other parts of Britain, unemployment is not always the worst problem. An independent investigation set up by the city's Community Relations Council three years ago found that racial harassment was a major problem. A survey of the city's black people showed that 64 per cent had experienced verbal racial abuse, 35 per cent racist graffiti, 34 per cent broken win-dows and 25 per cent physical

some cities, like Bradford and Birmingham, in seeing members of ethnic minority com-munities achieve elected office or senior public positions. There is at present only one non-white member of the city council. A single head teacher in the city is an Asian.

The council has operated an equal opportunities unit, responsible for the special needs of ethnic minorities, women and the disabled, since 1983 and the council is currently financing a substantial programme to recruit specialist staff to promote equal opportunities in its schools. Councillor Fabian Hamilton,

who chairs the sub-committee responsible for racial equality, accepts that the council has to make further efforts itself, as the city's leading employer, to encourage wider opportunity. "Our housing department has established targets and hasdeveloped a policy to ensure that ethnic minority employees are adequately represented to all levels of employment. We have to



Pari of the problem of inner city Leeds is a stock of well-built houses like these run-down properties in Chapeltown, which contrast starkly with modern developments.

ensure that the issue is one is alive in the thinking of all departments when poli-cies are being made and imple-

The Chapeltown and Hare-hills area of Leeds contains one of the most active of the Government's inner city task forces, small teams of civil servants and business seconde set up to promote and help

Leeds's inner city problems are heavily related to the needs of ethnic minority communities, reports **ALAN PIKE** 

channel funds to inner city training and employment ini-

Around two-thirds of the 25,000 population of Chapel-town-Harehills are from ethnic minority backgrounds, and the area's unemployment rate is double the Leeds average. Since its establishment as one of the Government's first eight task forces in 1966, the Chapeltown-Harehills unit has supported more than 100 projects, one of the largest being CHEL - Chapeltown and Harehills Enterprise Ltd - which has

44 of the 60 spaces are let.
One of the keys to inner city

regeneration is training inner city residents often lose out on job opportunities in their locality through lack of modern skills. Chapeltown-Harehills is the location of a particularly imaginative project to prepare the area's next generation of employees with computer skills, and improve their general education.

The Chapeltown and Harehills Assisted Learning Comhitis Assisted Learning Com-puter School takes young peo-ple aged between eight and 16 out of school hours, and uses extensive exposure to computer-based learning to raise their overall educational potential. The scheme, which operates at evenings and weekends, has 300 school pupils from Chapel-town and Harehills on its courses, and a similar number on its waiting list. It recently managed to double its intake following the donation of £94,000-worth of computers and other equipment by Unisys. Around 85 per cent of students are from ethnic minority back-

Mr Brainard Braimah, a for-mer school teacher who directs the project, sees the scheme as a means of raising not only the skills but the expectations of inner city young people. "Unskilled work is fast dis-

appearing. We not only have to train young people for the more demanding jobs of the created much-needed small workshop space in the area. The workshops, created out of a former cash-and-carry warefuture, but make youngsters from the inner city aspire to

house, were opened in July and higher quality occupations.
44 of the 60 spaces are let. When we ask young people who have been on our courses what they want to do when they grow up, they don't say they are going to be bus driv-ers and shop-keepers. Their expectations have risen."

Mr Braimah hopes the scheme will help overcome the two unemployment problems facing ethnic minority commu-nities - not only is unemployment at its highest among eth-nic minorities, but black people are less likely to be other good-quality white-collar

Programmes aimed specifi-cally at black people to help overcome this type of problem are lawful under the Race Relations Act, and Path, a charity which provides this type of training, has its largest scheme in Leeds. The city council and an increasing number of private employers are participat-ing in the scheme, which com-bines work experience with further education.
"There are now about 100

trainees per year on the Path scheme and it is achieving a 90 per cent job placement rate," says Mr John Roberts, Leeds's chief community relations offi-cer. "All trainees are prepared for fully-recognised qualifications and the scheme is open-ing up opportunities for Asian and Afro-Carribean young people in professional and managerial areas, where ethnic minorities have been hugely under-represented." Martin Regan talks to the accountants

# Shortage of supply

FOR the young, ambitious accountant, Leeds is no longer a financial backwater.

The transformation of the city's financial services base and parallel growth in professional services has created a sophisticated financial marketplace. All the big players are represented and there is a large number of smaller prac-

It has been organic rather than opportunistic growth, according to Brian Boutell the managing partner of Peat Mar-wick McLintock's Leeds office, which now has a staff of almost 400. The company will soon move to larger premises on the Embankment, a move which in addition to meeting space requirements will push outwards the boundaries of the congested city centre.

The rise in staffing levels

has not been uniform. Certain divisions, most notably management consultancy, corporate recovery and taxation have enjoyed extraordinary

Brian Boutell says this reflects the fundamental changes in the services provided to local businesses "ten years ago, what people wanted was audits, tax planning and a bit of advice. The scene has changed fairly dra-matically: businesses are now more ambitious and demanding specialist services.
"There is a very large spread

of industries around here, and that in turn has led to a large number of entrepreneurial ompanies and the need for a more provocative financial approach" he said.

Surprisingly, the Yorkshire businessman's suspiciousness of outsiders is universally the local markets. John Smithles, a senior partner with Binder Hamlyn, says the effects of Yorkshire insularity should not be under estimated.

"They just wouldn't listen to someone who came down from London in red braces and told them how to run their businesses. The likelihood is that they simply wouldn't pay the fee," he said.

The peculiarities of the Leeds market are however overshadowed by national trends. The shortage of accountants, the threat of recession and the arrival of 1992 are the main preoccupations of the city's accountants. Leeds, without the established university network of a Manchester or Birmingham, must trawl outside the city for recruits, making the process more expensive. There are around 4,000 accountants in Leeds, but, says Nigel Heap of

Accountancy Personnel, there would need to be 5000 to meet Upward pressure on salaries is intense. Graduates joining any of the big Leeds practices next year will get around

£9,500, while newly-qualified accountants can expect £16,000. Coopers and Lybrand also give



Derek Naylor of Grant Thornton: "forensic" accounting

cars to the newly-qualified,

though on a loan scheme. Fears of a recession are not yet deep seated, though there is a recognition that current fee income is weighted towards geared to expansion.

As Brian Boutell said: "We are seeing local companies which went to the market now wanting to become private and that is having an effect. There are a number of companies that are very profitable and that have no intention of going

to the USM".
David Naylor, managing partner of Grant Thornton, argues that the increased caution is only evident among the there have been changes. The size of MBO's, for instance, are as either the midwife or the getting much smaller," he undertaker."

Medium-sized companies will provide the main battleground over the next few years. Grant Thornton is already working on a new range of business services, including a forensic accounting service, which will quantify any kind of claim.

"There has been an increase in litigation which has fed the lawyers and which in turn has fed us. There has to be the development of niche markets of this sort," he said.

Richard Hayter, managing partner of Rawlinson, Milne Booth, a practice formed earof two long-established local practices is after the same mar-

"There is a huge 'no man's land' of what I call 'owner-occupied businesses with ambi-tion' - people who are making £100,000 pretax profit and looking towards £1m.

You don't get these comp nies by putting fancy titles around what accountants should be doing, anyway. We have a lot of textile and yarn companies in the area and when I deal with them I've got to have a 'wool man's head' on my shoulders."

Wooing these companies is particularly crucial with the arrival of the single market. Large corporate clients are already involved in Europe. The opportunities are in repre-senting those who are not. It is a fact of which the big

players are well aware and with existing organisations already in Europe, Binder Hamlyn's John Smithies believes they are likely to squeeze the smaller firms out. Despite the defensive mentality, the city's accountants remain serene about future prospects. David Naylor is particularly bullish: "I don't think the Leeds environment will go into a full recession. Of cours it depends on the sector, but it

work. There is an awful lot of personal wealth around. If there is a significant downturn, the insolvency specialists already busy with the fall out from an expanding economy larger companies – "we still can look forward to even more have a number of clients who work. As Peat Marwick's Tony are targetted for the USM, but Richardson aptly points out: "Accountants can make money

isn't just about commercial



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# Eliminating the negative

MR JON TRICKETT is proud of Leeds but wants to be prouder – "the difference between a regional centre and a regional capital lies in quality. We aspire to becoming the regional capital but we are not there yet. That's what I want

This year, at the age of 39, he took over from Mr George Moody as leader of the Labour group that controls the 99-seat Leeds city council. His influence on the city's development will be crucial but anyone hop-

will be disappointed.
"I want to change the face of Leeds – but in a benign way," he says, by which he means that he wants to guide rather than force developers and inward investors towards what

the city wants from them. He hopes to make it as easy as possible, avoiding all but the necessary planning con-straints and procedures. He wants to set up a series of Leeds initiatives with private sector and other political leaders to develop consensus. He has already put some political currency where his

Recently the council approved a plan to build a £100m underground transport

system in the city to improve its basic travel-to-work infrastructure. The plan will not go forward for Parliamentary approval because Labour had to force it through against opposition wishes.

Everyone has to be behind a

project of that size and signifi-cance," he says. "It would take years and we might not be in power for all of them. We could achieve consensus so we are looking at it again.
"I am keen to develop a

Leeds initiative on transport and other big issues. We want to rule by consent. I don't want to be known for strife. If we achieve a high profile we want it to be because of positive

The Labour parties in charge of many northern cities and inner London boroughs would not tolerate Mr Trickett, who fits no stereotypes. Some would not approve of the Leeds party itself, which grew from mixed artisan roots. The people of Leeds would

not tolerate a Labour party which was tearing itself apart," he says. His conciliatory political instincts have seen him take care to involve his own group's few left-wingers with policy making, rather than marginalise them.

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His attitudes are not new in the city, as Mr Peter Coles-Johnson, chief executive of the chamber of commerce avers. "Political leaders have always taken a low profile," he says. "We haven't suffered from the far left. We have always had a dialogue. There has never been an anti-business

attitude and no one has tried to make our members pay dis-proportionately for council services. The rates have therefore been relatively low. "There is a consensus in Leeds to get the best for the

city."
Mr Trickett was even his own boss — a self-employed-plumber and builder — before winding up his business two years ago to work full-time in politics because he found he could not cope with both jobs.
With Leeds as short as anywhere else of skilled trades-

people he could have made a comfortable living in such an expanding city but says: "I believe that you ought to put something back into the community if you can."

Achieving consensus is a matter of definite policy which transcends aggressive political rhetoric common elsewhere.

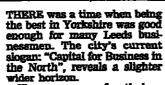
Remarkably, he says: "We outnumber the Conservatives

by 61 seats to 20. That looks like a big majority but the swings here always go against the national party of power. One day they may have power again, so we try to treat them with respect because that's the way we would want them to treat us."

When one large company felt it was being bogged down by red tape last month and wrote to him, he invited the managers in for an 8am meeting the next day to clear the air. He says that he does not want people simmering with suppressed rage because they feel they cannot be heard. He tries to keep the political

temperature down in more sub-the ways too. "I have banned some words which are widely used in political circles from all of our correspondence and publicity," he says. The words include "fighting," "battle" and

"struggle." "Negative words are



The new wave of optimism, only slightly dented by the feared recession, places the city on a European stage: a Milan to London's Rome. In spite of the impact of higher interest rates, nearly a quarter of Leeds companies are

reporting higher levels of export sales and nearly half expect profits to increase in the next year.

Any disquiet that does surface, and there is a tendency in the city to avoid talking the manufacturing sector into a local recession, springs from fears that a slow-down in the economy will stop firms invest-

ing in long-term development: the Leeds Chamber of Commerce reports that there has already been a "sharp down-turn" in investment in plant and machinery. The great strength of the city's manufacturing sector is universally seen as being its diversification. Unlike other Northern centres which carry a strong product image, like Sheffield's cutlery; Leeds boasts an economy as mixed as the UK's own. A minature economic model of the nation's

economy. Leeds, with 12,000 businesses, had 3,000 in manufac-turing employing about 72,000 in 1984, with 300 companies employing more than 100 peo-ple. Since the 1950s, there has been a decline in manufacturing in favour of the service sec-

tor, although the mix of activ-

ity has not been polarised. Broadly, three historic sec-tors support the core of manufacturing based on engineering, clothing, and printing, packaging and publishing. From this broad base, success has been secured by a flexible approach to securing new mar-kets and producing new prod-

Hunslett Engineering, for example, has a history of 130 years in engineering going



tion sent out by the council. Everyone knows that they should use positive words and be welcoming," he says.
"In fact, we understand the importance of putting on a friendly and welcoming face to

nai disagreements but we han-dle them quietly and behind closed doors." He also accepts criticism of the city because he wants to understand the views of visi-tors and try to improve things. For instance, Leeds may well

be the home of Opera North and the Playhouse but the city has a very provincial feel to it

Manchester and Liverpool have much more night-life and each functions as a 24-hour metropolis. The friendly but faded Metropole Hotel in Leeds typifies the deficiencies: there little competition and the visitor who cannot get into the Hilton or the Queens has to

The city is trying to market itself as a leisure centre - and can build upon a large base of visitors, most of whom go there at present because they have to. But a walk through the city centre on the way back to the Metropole from the Play-

to the Metropole from the Play-house in mid-week soon reveals its emptiness.

As Mr Peter Cooke, retail property specialist at agents Bernard Thorpe, puts it: "Leeds is a 9 to 6 city. Late night shopping involves a few shops staying open until 7 pm. Many close at 5.30 pm. Leeds competes for eight or nine hours a day. There's more to being the capital of the region than that.

Leeds is mainly potential rather than reality at the moment its range is narrow

commercial, hotels and leisure The city centre looks a bit scruffy underfoot, there are potholes in the roads and the pavements are uneven. We should be able to compare ourselves favourably with some-where, say, like Bath and we

can't yet."
Mr Trickett responds: "We are trying to get a major initia-tive going for the city centre. I accept what is said about its-being a dead centre at night. "But we need to spend

2600,000 to put the pavements right. I would certainly like to see more night life created and more bistros, wine bars and similar places where people can just pass the time hap-

pily."
The problem will be partly solved when the Victorian Quarter — which is being developed by Prudential Assurance - opens next year. This will be an artaded area of up-market shops and watering holes of the type now common in cities with a more garrulous evening sound to them.

As Mr Trickett puts it, more quality is needed to help Leeds city centre emerge from its role as a place where people go to work. Being aware is half the hattle. His consensus approach should do the rest.

James Kelly examines industry's widening horizons

# **Europe is beckoning**

back to steam engines, but is now heavily involved in producing equipment for the Chan-nel Tunnel, while taking a 51 per cent holding in Ganz: the Hungarian state engineering

Vickers Defence Systems, operating on the old Royal Ordinance factory site, is proving its ability to produce a suc-cessor to the Chieftain tank, while Optare, the subject of a management buyout, and for-merly part of British Leyland Buses, is producing the new generation of small, de-regu-lated buses; and John Wad-dington's, while continuing with the production of games like Monopoly, also print bank notes for the world market.

Industry has great hopes of the planned Channel Tunnel freight terminal at Stourton, where 75 acres has been ear-marked for linked development. Brian Holdsworth, group leader development for Leeds City Council, sees promise in the fact that Leeds boasts a high number of small-to-me-dium sized enterprises which are expected to extract maximum growth from the single European market of 1992. Stourton would provide the and direct link to cities such as

Milan It is also hoped that inward investment in the area, particularly from the US and Japan, will be prompted by progress towards the single market providing a strong stimulus for non-Community based businesses to locate before the feared imposition of trade bar-

Another assisting factor in keeping the city's manufacturing buoyant is seen as the remarkable growth of financial and services sectors. Leeds has six of Britain's top legal prac-tices and Mr Holdsworth



Leeds' latest manufacturing success: Ashley Ward, the former racing driver who bought into Wharfedale three years ago, last week took the famous loudspeaker company public, via a reverse takeover of Audio Fidelity, the electronics group.

Dr Chris Leigh, of the University of Leeds, while noting that manufacturing has lost 13,000 jobs between 1981-87, believes that the high levels of diversification and local owner ship provide the city's princi-

pal economic strengths. While she reports that the labour market in the city is not tight, there are two main prob-lems; the mopping up of female labour by the burgeoning ser-vice sector and a dearth in top

believes this kind of facility is quality management - but a positive location factor for that problem may be paradoxically solved by the service sector growth which may attract new talent.

Stuart Ross, assistant secre-

tary of the Leeds Chamber of merce, believes the service sector boom has a ripple effect: "The whole city has become more attractive to inward investors." Within the manufacturing sector, the Regain Project has been launched to try and find local replacements for imports used by local com-

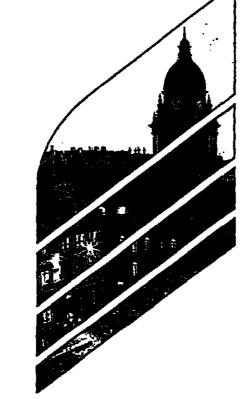
He perceives internal diversification and high technology production as the keys to con-tinued success in the manufacturing sector and points to the development of laser technology by Waddington's under the chairmanship of Victor Watson as an outstanding example. And he believes that the city's labour market is a positive location factor with its tradition of moderation and prag-

But it is the danger of decreasing investment in the face of rising costs and a tough trading situation which most worries Mr Ross. It is a situation which also worries the Chamber's members: 66 per cent of whom said inflation was affecting their businesses but 85 per cent of whom pin-pointed high interest rates as

the principal danger.
Sulzer Pumps provides a good anap shot of Leeds' leading edge manufacturing concerns. Swiss owned, it moved to a new factory near Elland Road eight years ago at a cost of £15m. It provides highly spe-cialised centrifugal pumps and is heavily involved in the power, water, gas and oil

director Mr Martyn Thomas, its long-term expansion is assured, although it is highly senstive to government policies, and changes in govern-ment policy, in the short term. Despite Government uncertainty over nuclear power, traditional generating, and power station emission control; oil, gas, and water are seen as assured areas of growth. On the world stage its £30m turn-over is assisted by exports for Japan to the Third World, the Gulf, Norway, India, China,

and North Africa. While Mr Thomas avoids the danger of talking down the economy: "I have sympathy with the view that we are talking ourselves into a recession. I think the chances are there will not be a significant recession for our business.



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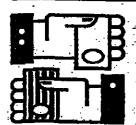
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#### **SECTION IV**



Merger talks - not always successful between the large firms have shaken the accountancy

profession to its roots. In spite of public concern at the way some firms are developing, the turmoil of the past few years is likely to continue, writes David Waller

# A world of excitement

NEVER HAS the accountancy industry been so at odds with its image of worthy duliness. It is in turmoil, galvanised by the messures of rapid growth, of fierce competition, of increas-ing regulatory interference in matters which for a century or more have been the preserve of professional judgment. In short, the world of accountancy has never been more

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This became clear to the public at large this year with the spate of extraordinary mergers - and merger talks -between the firms at the top end of the profession. Given the increasing internationalisation of the firms' client base, consolidation among the so-called Big Eight had been expected for years, but the way in which the realignment of the industry took place undoubtedly served to dimin-ish the stature of the profes-sion as a whole.

Although 1989 will be remembered as the year of the mega-merger, it is wise to reflect that only one megamerger has taken place in the form originally intended, and that is the link between Ernst & Whinney and Arthur Young to form Ernst & Young Subsequent talks between Arthur Andersen and Price Water-

house came to nothing, and the merger between Deloitte Has-kins & Sells and Touche Ross has been messily complicated by the defection of Deloitte's

UK and other practices to join Coopers & Lybrand.

The saga has illustrated a guif between the image which the firms like to project of themselves for marketing purposes. poses - cohesive international organisations capable of providing the same professional service anywhere in the globe — and the reality, that they are businesses riven by geographical differences and inter-disciplinary rivalries. Looking at the Deloitte/Coopers/Touche imbroglio, clients the world over are entitled to ask themselves whether their auditing firm could break apart at the seams, too.

Perhaps, at bottom, there were sound strategic reasons for the mega-mergers. After all, business is becoming more global and the costs of servicing global businesses are increasing. So was it not sensi-ble for the firms to come together to share the costs of research and development, of training and technology? The result, it could be argued, would be a better service to the client and a more profitable



# ACCOUNTANCY

The trouble was that the message was not communicated effectively. Public pro-nouncements from all the merging firms were bland to the point of meaninglessness, giving the impression that the partners were rushing to agglomerate for the sake of size alone, And when PW and Andersen decided, after months of talks, that they could not form an alliance, one was left wondering why it took the combined brain-power of two of the finest service businesses in the world to come to a conclusion - that the firms were mutually incompatible which was evident to the casual observer on day one.

That mega-merger fever was contagious was illustrated by the unfortunate case of Horwath & Horwath and Spicer & Oppenheim, two medium-sized firms which briefly flirted with the idea of a get-together. In the event, the talks were abandoned at an early stage. What consolidation the industry has undergone has thus limited itself to the top end of the market, exacerbating the traditional polarisation between the Big Bight - now Six - and the rest of the field.

To the outsider, it was curious to see that regulators did not seize upon the opportunity of the mega-merger season to clamp down on the activities of the big firms, which have long seemed powers unto themselves, organisms of immense economic muscle with apparently declining loyalty to the sional bodies which are the engines of self-regulation in many of the countries in

which the firms operate.

The marked absence of a probe – either from the Securities and Exchange Commission in the US or the Office of Fair Trading in the UK — was perhaps a reflection of the intensely competitive nature of the markets in which the firms operate. There was some fear, when the mergers were announced that the field would be narrowed and compe-

tition stifled. First impressions - amid accusations of "lowballing" and other thoroughly unprofessional practices -suggest that the knives are out, sharper than ever before. If the problems of the last five years have been those associated with rapid growth and vaulting revenues, the challenges of the next threaten to be different. The performance of the firms is highly geared to economic prosperity and industrial restructuring and - in the UK context at least - it is not yet clear quite

how the firms will deal with

the widely predicted "hard

landing". True, there might be - there already has been - a

#### CONTENTS

US: conflict of Interes US; tug-of-war on standa

Ernst & Young profile Spicer and Oppenheim profile Casson Beckman profile iliustration

dramatic pick-up in insolvency business. But whether that will compensate for the inevitable decline in other sorts of business, from consultancy to corporate finance, remains to be

In south-east Asia and the European Community, the outlook for growth is far rosier than in the maturing markets of the UK and the US. It is significant that the Deloitte-Touche combination wanted to call itself - may still call itself, depending on the out-come of a courtroom squabble over the firm's name -Deloitte Ross Tohmatsu, in honour of the importance of nonour of the importance of the Japanese market. Mean-while, the firms which have identified Europe as the battle-ground of the future are scrabbling to link up with those national firms which have not already formed inter-

national alliances.
For many accountants in the UK though, the notion of Europe carries a connotation entirely at variance with that of opportunity. For it is Europe — more specifically, the European Commission via its Fourth, Seventh and Eighth Company Law Directives which threatens to change the

which threatens to change the face of the profession in the UK. This year's Companies Act, embodying the Seventh and Eighth Directives plus some of the UK's Government's own ideas, imposes a heavy regulatory burden on

The Act provides a formal legal framework for many financial accounting matters. More importantly, it requires that auditors possess a qualifi-cation from a Recognised Qual-ifying Body and that their work is regulated by a Recog-nised Supervisory Body. Once the law takes effect, in early 1990, the professional bodies will have to shrug off their traditionally passive regulatory role and start monitoring the

firms actively.

The Act will also allow firms of auditors to incorporate, to turn themselves into companies for the first time in the long history of the UK profession. It also envisages the setting up of a new regime for accounting standards - the so-called Dearing proposals for a Financial Reporting Council and Review Panel, with consid-

erably more clout than the 19year old Accounting Standards

The impact of this legislation is far-reaching. On specific points, the reporting council ought to be able to resolve the impasse over accounting for brands and goodwill, where the ASC - through no fault of its own perhaps - has moved at a snail's pace.

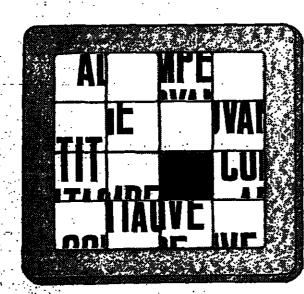
The ASC has never had the resources to formulate a coherent "global" philosophy on accounts or the power to enforce controversial standards. All this ought to change once Sir Ron Dearing - both originator of the proposals and now their executor - has found a way of financing the

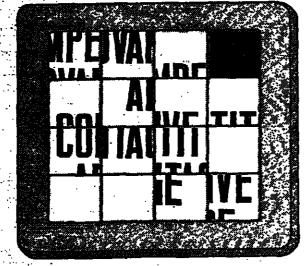
On the incorporation front, the law will allow non-auditors to own up to 50 per cent of an auditing firm, but the professional bodies hope to restrict that proportion to 25 per cent. expected to turn themselves into companies, if only for tax reasons, but they are likely to admit consultants and other non-auditors into their hallowed partnerships. The impact on the culture of the firms will be enormous.

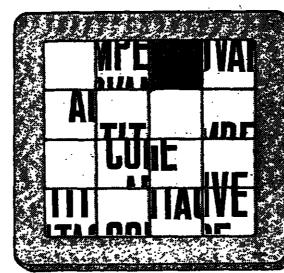
More generally, the Act imposes another heap of regulations on the firms - following on from the Insolvency Act and the Financial Services Act. The cost of compliance will be high and will feed through to the fees billed to clients. Another, less tangible cost, will be the impact on the way accountants conduct themselves.

encourage practitioners to forgo professional judgment in favour of punctilious compli-ance with the letter of the law.

The accountancy profession perhaps better described as the accountancy branch of the financial services industry ~ has been in a state of flux and turmoil for the last few years. Judging by the most recent developments, that flux and turmoil will continue for many years to come. Amid all the confusion, one thing is certainnow is an exciting time to be













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Coopers

David Waller follows a game between giants

# A year of mega-mergers

INTERNATIONAL market for professional services may be likened to a strange and fiercely competitive game played strange between a small number of clumsy giants. It is a special game because it is not supposed to be played for the benefit of the giants themselves but for another race of people altogether, called the clients.

The trouble is that the game is so much fun - there is so much scope for changing the rules or teaming up with the other players so as to batter the rest into submission that the giants often get carried away and forget for whom they're playing. They become preoccupied with themselves and although outsiders can spot them stumbling, they are not aware that they have lost their balance at all.

One such episode in this long-running game — it has been going on since at least the end of the Second World War took place this year. Two of the eight players astounded the others by forming a surprise alliance. Although this move had been expected by theorists of the game, the other six players were stag-gered when Ernst & Whinney and Arthur Young downed their cudgels and formed a new alliance, Ernst & Young.

This move prompted some desperate soul-searching. Tired out by decades intercontinental effort, all the other players but one decided that they better follow suit and consummate a merger. But it proved very difficult to know with whom to merge. Although to spectators of the game, there appeared to be little difference between the players, they

Some of the players had better international support structures than others, particularly in Europe, likely to be the theatre of operations for the next stage in the perpetual battle. Others had better clients, or were afflicted by strange diseases called litigation or audit incompetence, or bad management. In the event, these problems did not seem insurmountable. The biggest giant of them all and one which has always

been quite agile on its feet, for

Ernet & Whitney Arthur Young Touche Ross Arthur Andersen \*Rete of lecroses year-on-year all its size — was Arthur Andersen. It held some intensely secret discussions all\_its\_size was Arthur with the player which it most

Coopers & Lybrand

Price Waterhouse

respected, one called Price Waterhouse PW - which had the special attribute that its name is virtually synonymous with the accounting profession in the UK - liked the idea of a merger. On July 6, the two Strange diseases

called litigation or

audit incompetence

were planning to team up. Clients and other fans of the

ame knew that PW and

Andersen were strong players precisely because they were

very different from one another. Andersen's artillery

was boosted by its computer

consulting division, a veritable Big Bertha of a weapon.

Moreover, its headquarters

were in the US. PW, by contrast, was very strong in

audit, and had a gentlemanly sort of culture which some

would mistake for arrogance.

Worries about the strategic

sense of these moves were

drowned in the flood of events.

That very day, two other

players announced their

mergers. These were Touche

Ross and Deloitte Haskins &

Sells. Neither was as strong a

player as Andersen or PW, but Deloitte, for one, had been engaging in all sorts of body-building exercises since 1984 when — in an earlier

exciting episode of the game -PW rejected it as a merger

Left out of all this frantic

match-making were two players, Coopers & Lybrand and Peat Marwick Mitchell,

At first, Coopers tried to make a virtue out of being big but different. Advertisements appeared saying how the others had gone off course. The senior partner, Mr Brandon Gough, took to the pages of the Sunday press to denounce the King Kong philosophy behind his rivals' actions. All this was just a smoke-screen, though,

Secretly, Coopers prepared to deliver a

to decide what everyone else had realised all along, that they were not compatible. The game took on a new dimens as Andersen accused PW of being on the point of breaking apart across the Atlantic and apart across the Atlantic and of being financially troubled because of pension problems in the US. PW retorted by saying that Andersen had a regulatory problem because it had too cosy a business relationship with some of its audit clients. Moreover, PW whispered, Andersen was

60.2 14 68.8 23 84.9 28 106.9 28 139.5 28 178.5 24 222 Deloitte Haskins & Sells 60.8 15 69.8 18 82.2 21 99.3 22 121.1 25 151.1 25 188.8 8 58 25 70 18 82.9 21 100.7 20 120.9 23 148.4 17 54 19 64 17 75 20 90 20 108 25 135.5 11 52 14 59,5 29 76,5 22 98,6 25 116,6 22 141,8 15 47.1 42 67.1 24 91.3 24 118.4 27 144.1 17 41 which went under the other name of KPMG when conducting operations elsewhere in the globe. Peats about to split between its consulting and audit arms. While these accusations

1983 %\* 1984 %\* 1985 %\* 1986 %\* 1987 %\* 1988 %\* 1989

Peat Marwick Mitchell 64.3 16 74.3 17 87.2 31 114.4 24 207.2 27 262.5 20 315.6 KMG Thomson McLintock 31.6 11 35.2 26 44.5 18 52.5 24

60.0 21 72.5 30 94.2 27 119.4 20 143

were being hotly denied by both sides, the focus of the game shifted to Coopers. In a move of astonishing bravura – but one which was so radical that it threatened to - a very patrician sort of player, but tough nevertheless was happy to be on the sidelines, having merged with KMG two years ago. Coopers, however, was hopping mad. It had always undermine the rules of the game altogether - Coopers announced a merger with Deloitte in the UK. But Deloitte in the US still wanted liked to be a big player, and all of a sudden it looked as though it would be relegated to a different league of the game to get together with Touche
Ross. The result: Cooper/
Deloitte vaults to being
number one player in the UK,
and Touche slips to being the
smallest player – but
Deloitte's international
operation starts a process of
disintegration which is far

disintegration which is far

The next stage in this

extraordinary saga: Deloitte's

UK team goes to court with its counterpart in the US, fighting

over the right to the Deloitte

The other players have

started to eye up the vulnerable parts of the Deloitte empire — the UK-based

multinational clients which do not want their overseas operations to be serviced by Coopers, the UK subsidiaries of Deloitte's US-based clients. Of the companies in the latter sectors of the services of the

category, Merrill Lynch Europe, Vauxhall Motors and Dow Chemical have already

It is perhaps too early to

1989, the year of the mega-mergers and lots of merger talks, in the game's

venerable history. However the firms do seem to have forgotten what is supposed to

make their game different from others: that it should be played for the benefit of their clients.

the consequences of

switched to Touche.

from over yet.

and Coopers was secretly pre-paring to deliver a knock-out

knock-out blow

Meanwhile, PW and Andersen took several months



#### THE PROFESSIONAL INSTITUTES

# Bodies that show their age

ACCOUNTANTS HAVE to live with a hald social fact; that professionals like themselves, who have sweated through years of hard study and train-ing to win a qualification, no longer command the respect of the general public in quite the same way that they used to. Gone are the days when the words of an accountant - or those of a solicitor or a doctor

 filled everyone with awe.
 Scepticism and irreverence are the order of the day. The same applies to the pro-fessional bodies which represent those estimable men and

women who are lawyers, accountants and doctors. These venerable institutions seem outmoded; their pronounce-ments, rule-books, ethos, all outdated, and their authority over their members apparently negligible in the era of the gogetting Thatcherite entrepre-neur. Just what role do these bodies have in this day and

Limiting the analysis to the UK accountancy profession, it is evident that it sorely needs to rationalise itself. It is impossible to justify the existence of no fewer than six professional bodies for accountants in the UK. It is difficult to see how the bodies are relevant to their members, who will be employed in every business rea from management consultancy and financial management to broking and merchant

banking. Moreover, it is difficult to spot a degree of communality even among those accountants - to be more specific, those accountants belonging to the Institute of Chartered Accountants in England and Wales (ICAEW) - who have chosen to remain in professional practice. The auditing market is segmented between the Big Six, the medium-tier firms and the rest. A partner in Arthur ent creature from a sole practi-tioner in Newcastle. The bigger the firm, the greater the loyalty to the firm rather than the

The profession, which first contemplated the formation of a British Institute several ides ago, manifestly failed itself this summer when the merger of the two Institutes of England and Wales and of Scotland — came to nothing. The Scottish accountants votes 55 to 45 per cent against the union - a much higher per-

Negligible authority in an era of go-getting entrepreneurs

centage than expected. The poll testified to the strength of nationalist sentiment in matters such as these, and to the divide between those in the big firms — many of whom could see the advantages of a link-up — and the backwoodsmen for whom an alliance with the Sassenachs was anathema.

Quite where this leaves the

Scots Institute remains to be seen. The distinctiveness of Scottish accounting is pre-served, but at what long-term cost to its members? It remains a fact that legislation - first the Financial Services Act of 1986 and subsequently this year's Companies Act - will require regulation of the firm, not the individual members. Scottish accountants are likely to find themselves in firms regulated by the English Institute. Undeterred by this summer's

public relations setback, the 90,000 strong English ICA - the members of which voted overwhelmingly in favour of the merger - has embarked on what appears a radical reorientation strategy. In its own jargon, the Institute is restructuring itself in a mar-ket-driven fashion to reflect the needs of the members, while maintaining its commitment to the rationalisation of

This means in practice: (a) a proposal to merge with the 12,000-strong Chartered Insti-tute of Public Finance and Accountancy (CIPFA); (b) a move towards faculties to reflect the interests of its members in vastly different fields of work; (c) setting up a General Practitioner Board and a Board for members in industr finance and commerce and (d) introducing Training Outside Professional Practice (Topp), a radical concept which envis-ages the creation of chartered accountants in industry, so far introduced by the Irish alone out of all the Institutes.

The merger with CIPFA eems eminently sensible and is - one hopes - unlikely to stir up the same sort of hostility as the Scots proposal. The vote on this will take place next spring. At the same time, ICAEW members will be asked to vote on Topp - an idea which for cost reasons is unlikely to take hold in indus try, although it which may prove ideally suited to the pub-lic sector institutions for which c sector institutions for which CIPFA members work.

The internal reorganisation of the Institute, into faculties for those working in tax and insolvency at first, to be fol-lowed by similar organisations for audit, financial management and so forth, is evidence of a professional body adapting stances. The greatest threat to the authority of the Institute is clearly perceived to be the diversity of the jobs held by its

Another threat is the regula-tory environment introduced

by the Companies Act. This legislation gives the Institute a new double-headed role as a Recognised Supervisory Body and Recognised Qualifying Body. Perish the thought, but the ICA wil be obliged to adopt a proactive approach to monitoring 10,000 auditing firms, rather than simply waiting to react to complaints as they come in. This is a step into the unknown for the Institute, and for its members, who will find themselves visited by squads of compliance officers from

The institutes are in danger of losing their distinctiveness

Moorgate Place.

Mr Andrew Sansom, Secretary of the Chartered Associa-tion of Certified Accountants (CCAB), echoes a view to be found in the higher echelons of all the professional bodies when he says the UK's professional bodies are capable of getting their collective act together when it really matters. He points to the Dearing Committee as a splendid example of the CCAB recognising a major problem – that of the quality of financial reporting in the UK – and doing something about it.

Nevertheless, the pace of change within the industry means that the six institutes will have to do a great deal more to maintain an authoritative role in the 1990s and beyond. The danger is that as changed market conditions, they will lose their distinctiveness and slip into being no more than trade associations for the accountancy business.

David Waller

Nikki Tait and David Waller on the move into corporate finance

# Merchant banks face rivals

profession and corporate finance appear to be natural bed-fellows. Small wonder, then, that this should be one of the broad areas into which many of larger accoun-tancy firms have expanded their operations with a fair degree of alacrity over the peet few years.

over the past few years.

The reasons are easy to grasp. For a start, corporate finance work is a lucrative vein and, in contrast to certain other elements of the financial services arena, has been a consistent growth area since the early-1980s. On Department of Trade and Industry figures for acquisitions and merg-ers within the UK alone, British compa-nies are estimated to have spent some £22.1bn in 1983, up from £14.9bn in 1986 and £15.4bn in the following year.

The entire "1992" syndrome gives a fresh impetus to corporate purchasing

While there are some indications that the current economic climate may be stilling a few corporate hands, many suspect that the hull is probably temporary. A fall in acquisition prices, once they are perceived to have bottomed, might tempt new companies in, and the entire "1992" syndrome has given a fresh impetus to corporate nurchasing

Better still, mergers and acquisitions form an area where business tends to spawn business: advising on one acquisi-tion can bring in its wake any number of peripheral disposals, management buyouts

and corporate restructurings.

Accountancy skills are also clearly an integral part of the service which clients, embarking on acquisitions, disposals, buy-outs, flotations and the like, may need to buy in. Moreover, through their existing audit networks, the large accountancy firms already have both an established client base and, some would argue, a fairly extensive knowledge of who may be in the market as sellers/buyers of assets.

In short, why should corporate finance, particularly the servicing of small to medium-sized companies which want to embark on non-contested deals, remain so heavily dominated by Britain's merchant banks?

Such thinking has lead to the birth of formalised "corporate finance" departments within many of the large accountancy firms during the past couple of years, although it should be noted that structures do vary quite considerably between the players. In general, these cor-porate finance teams tend to be based in tion in the main regional centres.

Deloittes, for example, generally viewed by the profession as the most aggressive player in this area, employs around 80 professionals in its London office, and over professionals in its London office, and over that said, the recent moves by the accountancy firms to step up their presents to the managers of Kenwood in their presents area have not been entirely double that number nationally. Ernst & Young, on the other hand, says it will have over 50 professionals "dedicated" solely to corporate finance work once the merger between Arthur Young and Ernst & Whinney is completed. Of these three-quarters will be based in London and the rest spread mostly between Bristol, Birmingham and Manchester

That is a good illustration of the pace at which expansion is going ahead. Five, even two, years ago, the numbers of "pure" corporate finance specialists in Arthur Young alone would have been in single figures. Now, as the firms point out, these departments are of size to rival some of the smaller merchant banks.

Work covered by these dedicated teams spans a variety of activities - advice on disposals, acquisitions, flotations, and management buyouts have all featured. The extent to which the workload comes from the existing audit base seems to vary considerably between firms. One of the big five in the UK suggests that the proportion remains over 90 per cent. Another suggests that the audit base account for only perhaps 50 per cent of its corporate

The extent to which this threatens the merchant banks' traditional stronghold is a moot point. Several firms stress that they are principally interested in the "small deal" – under £50m and often very much less than that – which may not be of vast interest to the top-notch investment of vast interest to the top-notch invest-ment banks. Moreover, the accountants make no pretence of offering the potential "all-in" services available from the inte-grated investment houses — although the extent to which companies want to buy such packages has been debatable to date.

One corporate finance partner quotes an American company and existing client which asked its UK accountants to act which asked its UK accountants to act when expecting a UK takeover. The bid situation was already highly complex - a hostile offer for the UK company was already on the table - and the US group was promptly directed towards one of the leading UK merchant banks

Nevertheless, if the trend develops, there seems little doubt that competition among the second- and third-line banking advisers and the accountants must increase. Already, there are signs of accountants acting as principal advisers in some very large management buyouts. Arthur Andersen, for example, was lead adviser to the management team (as opposed to the buyout vehicle) which won

London, but to then include representa- the controversial £629m bid for Magnet earlier this year. Grant Thornton - one of Deloittes, for example, generally viewed the larger medium-sized firms - advised to the profession as the most aggressive the managers of Kenwood in their £54m

uncontroversial Back in 1987, Coopers & Lybrand was obliged to defend itself in front of the Institute of Chartered Accountants in England and Wales disciplinary committee over its work for Pilkington, the glass company, when it fended off a £1.2bn bid from BTR.

Coopers had been asked by Pilkington to examine the BTR record during the bid, and although its document was never published, parts of it became available to both

An obvious conflict between ethical standards and shortterm commerciai interests

journalists and City institutions. It also found its way to BTR, which protested to the disciplinary body over what it claimed was lack of objectivity in the study - and

therefore contrary to the standards required of accountants. Initially, charges of lack of objectivity were upheld but Coopers successfully appealed – relieving the firm of any admonishment from the regulatory body. At the time, Coopers was quick to point out the significance of the decision: "An adverse verdict would have raised considerable doubts about the adversarial role accountants play in takeovers," it noted.

In corporate finance - as in so many of the attractive areas into which they are diversifying – the firms are faced with an obvious conflict between their short-term commercial interests and the ethical standards expected of chartered accountants. This clash came to the fore this spring when they laid down a set of rules deter-mining that a firm could not act for both sides in a public company merger or acqui-

This edict provoked a degree of wrath from the big firms, which suddenly found that they could not sell a subsidiary of one public client to another. An unwarranted intrusion of commercial freedom, some firms argued. Unfashionably - though correctly - others pointed out that the long-term financial well-being of the profession was dependent on it maintaining its unimpeachable reputation for objectivity and independence. If firms started to cut corners, it would ultimately redound to their commercial disadvantage.



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# A 'supermarket' check-out

IN 1982, Mr Brandon Gough was elected chairman of Coopers & Lybrand on the strength of a manifesto to his fellow partners in which he expounded his view of how accountancy firms needed to develop over the coming years.

His recipe: diversification.

Mr Gough, and others who had a similar vision, have generally been proved spectacularly correct. The accountants' success in muscling in on the growing business advisory market has been the enter of market has been the envy of other professional and financial institutions. At the same time, they have

generally avoided the disasters that have befallen other such as Saatchi & Saatchi and County NatWest, each of which, in its way, exemplifies the dangers in incautious diversification in "people"

But what would Mr Gough's manifesto say, were he to stand as prospective chairman now? Nothing as glamorous as before, it seems. He sums up the issue of the 1990s in one phrase: the organisational challenge.

In ascending order of seriousness are the problem of growth, of diversification and of acting internationally

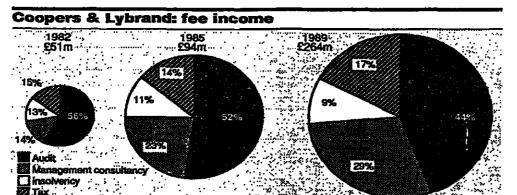
That's not very exciting in a businesses strategy sense," he admits. But after its big party during the 1980s, the accountancy profession has found that there is plenty of clearing up to be done.

The organisational problem comes in three forms. In ascending order of seriousness, these are the problem of growth, the problem of

versification and the problem of acting internationally Take growth first. The chart illustrates the ground Coopers has covered since Mr Gough took over. Coopers has moved further than some others into management consultancy, but in other respects it typifies the

large firm in the 1980s Perhaps more noticeable than the diversification is the sheer increase in volume of fees earned, a five-fold jump in seven years (although this growth is exaggerated by salary inflation, with real growth in hours worked Even Mr Gough admits to

surprise at the ou The accountancy firms have not achieved this without pain. Mr Clive Williams, bead of management consultancy at Ernst & Whinney, puts it bluntly: "I don't think the accountancy profession breeds good managers." The biggest



mistake, he says, has been to transplant professionals into obvious problem is how organisations develop to take account of the ambitions of the line management jobs. Size itself also poses immense problems. "It is a limiting factor," says Mr Williams. new non-accountants within The stresses at Arthur Above a certain size, he says, "quality and standards slip."

amateur managers to lead by example. A new level of

of the organisation - and even then "it is very, very difficult

management and cross-selling

become huge tasks. The benefits of size and synergy begin to evaporate. Mr Hugh

Aldous, managing partner of Robson Rhodes, adds: "You become a very complicated

man management operation -very bureaucratic."

These observations inevitably cast doubt on the growth-led strategies of the

accountancy firms during the

1980s, a strategy capped by the wave of planned or actual

mega-mergers earlier this year. The organisational problem of combining different disciplines

is even more acute. One

Within large firms, man

Andersen which nearly led to the firm falling apart last year are the most public example of The reason, he says, is that over a certain size, it becomes impossible for essentially what happens when these ambitions are not heeded, but rumblings froms other firms (including Coopers) suggest that Andersen has not been bureaucracy needs to be imposed, with a new breed of manager, changing the culture alone in this respect.
Introducing different

> One obvious problem is how organisations develop to take the ambitions of non accountants into account

disciplines also demands a new blend of management skills something which is already in short supply. Systems building, for instance, is "a radically different business with completely different project management skills" to the other things accountancy firms do, according to Mr Williams. Yet accountants want to

move into the area, because the logic of growth they have pursued for years points them towards this expanding market. They may find themselves without the skills to make a success of the business — unlike Arthur Andersen, which is widely acknowledged to have developed its own successful management formula in this

Put together the problems of growth and diversification and the result is what Mr Aldous calls a "hypermarket of mediocrity." And the danger of mediocrity is not just a ze nims we're not careful, it applies to all of us, right down to the sole practitioner advising on a life

Despite this, the accountants have achieved a substantial presence in the business advisory market. According to Gough: "We are now looking at a market that is significantly different from the market I looked at in 1982." The main difference: Management consultancy has come of age.

"From being a marginal activity in the 1980s, consultancy has become an ential activity rather than an optional one, and has secured its place in the purchasing patterns of companies. "If we have a recession, consultancy is not going to crash, in my view,"

says Mr Gough.

The third and biggest organisational problem is how to persuade an international firm to operate internationally. The fragmentation of Deloitte Haskins & Sells has revealed a shocking truth

about large accountancy firms: they are prey to egos and power battles strong enough to tear successful international businesses apart. The Deloitte name has been one of the strongest international brands in the industry, and work referred across borders has referred across borders has been substantial. But self-interest based on the benefits of staying together was not enough to overcome the violent reaction from partners in several countries to the plan of Mr Mike Cook, senior partner of Deloitte in the US, to merge the firm with

Mr Cook had a reputation for tough leadership during his four years at the top. He had needed it: when he took over, Deloitte in the US was struggling and needed a firm hand. But the same approach was not the best way to pull off the delicate balancing act of an international merger. And it Mr Cook and his former colleagues could come to blows in such a fashion, why not

hardly begun to feel the stresses and strains that are likely to develop in the coming years. Continental European countants already balk at the Anglo-US driven accounting groups. The Japanese likewise are unlikely to accept a world dominanted by such western-oriented firms. The



Brandon Gough (left), senior partner of Coopers & Lybrand, with John Butlock, senior partner of Deloitte, Haskins & Selis announcing in October a merger of the two firms in the UK

existing structures will not survive to the end of the next decade without some fundamental shifts of power and

direction.

Complicating the whole picture is the partnership structures in which accountancy firms operate. According to Mr Aldous, they are "absolutely barmy." He sees incorporation as inevitable - followed by new stresses as the people who own and manage the business become detached from those

who work in it. Incorporation is inevitable. And once you are there, there is no reason why you won't

accountants are unlikely to bite off any more in the near And those are just the

The existing structures will not survive without fundamental shifts of power and direction

end up like Saatchi & Saatchi." The alternative, he says, is "to fragment and build again." With these organisational problems to chew over, the

problems of the accountants' own making: they do not include possible external developments, such as what

the way of extra regulation to ensure the independence of it would take a brave person supermarkets in their present

form will survive to the end of the decade. If the 1980s witnessed the rise of the accountant, the 1990s could see other professionals get their revenge. Lawyers, who are just finding their feet, and independent consultancy firms of all shapes and sizes could find that this is their decade.

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### MEDIUM-SIZED FIRMS

# Post-merger opportunities

medium-sized accountancy firms, they are not really medium-sized at all: they are very the Big Six, but they are huge in their own right, employing thousands of staff, generating tens of millions of revenue,

and growing very rapidly.

The pace of growth is just as impressive as for the Big Eight. Indeed, many of the medium-sized firms are as big as the Big Eight firms were a few years ago, if not bigger. In 1983, the biggest four firms in the UK generated fees of around £60m; that figure is now equalled or bettered by four firms from outside the mega-firm category. BDO Binder Hamlyn – now the UK's seventh largest firm – is proud to point out that it audits significantly more listed

UK companies than Arthur these firms become, and so well-focused from a strategic point of view, that the Big Eight have been knocking on their doors trying to get them to merge. Such overtures were all rejected, but cynicism about the bigger firms' strategic thinking lingers. Mr Hugh Aldous of Robson Rhodes is not alone in complaining that a big firm made a merger proposal one week, was turned down, and then went straight

few days later. By and large, the bigger medium-sized firms have resisted the temptation to emulate the Big Six by jumping on the merger bandwagon. Only two significant firms - Spicer & Oppenheim and Stoy Hayward - let themselves get infected by this summer's merger bug but these strong firms soon recovered their netve and dropped their talks at an early stage. They, like all

into another set of talks only a

the other second-tier firms, are left wondering what the postmega-merger world has in

store for them.
The medium-sized firms accuse the bigger ones of besmirching the name of the accountancy profession in gen-eral through their public display of strategic ineptitude. However, from a strictly self-

"The polarisation in size will be to the medium-sized firms' benefit"

ish, business point of view, they welcome the messy realignments at the top end of the profession. Confusion, they hope, brings opportunities.

So sizeable have some of tional upheaval. This distracts partners and their staff from client. Although the merged firms will formally make it a priority to ensure that client service does not deteriorate, it will be obvious to finance directors and others who buy the services of accountancy firms, that partners' minds are elsewhere - worrying about the new profit-sharing arrange-ments or one's new job within

> Hence, argue the medium-zed firms, clients will defect to those organisations which have been uncontaminated by the merger fever.

Accountancy firms are viciously political places at the best of times. The aftermath of a merger is not the best of times, and politicking and knife-thrusting will intensify as staff from the two firms compete for the top jobs. Hence, the medium-sized firms contend, disaffected staff - at

all levels from partner down will decide to move elsewhere.

Where better to move than to a smaller firm which is in fact big enough to offer one a challenging career, but not so vast as to reduce one to total insignificance? Medium-sized firms hope that these consider-ations will influence graduates in their choice of career as

■ The segmentation of the accountancy market has been exacerbated. The biggest UK firm is set to be the Deloitte/ Coopers combination. This is likely to have joint revenues of some 2500m. The biggest of the medium-sized firms is Binder Hamlyn, which generated fees of £39m last year. The biggest non-Big Six firm will thus be less than a fifth of the size of the biggest firm of all.

"The polarisation in size between the very largest firms and the medium-sized firms will be to the medium-sized firms' benefit," argues Mr Les-"The distinction between the level of service offered by the sized firms, and that offered by the largest firms,

"A firm's ability to service clients is not wholly dependent on size - it depends on the ability to work closely with ence in serving other similar rapidly on the back of the clients. Clients for whom personal service is important will move to firms who can describe their clients may be considered. move to firms who can demon-strate that their claim of pro-downturn that so many people

becomes even more obvious.

ner level holds true." Admittedly, this summer's in the Big Six, although many bout of rationalisation has firms in this category are makmoved at a frenetic pace, but ing valiant efforts to introduce by and large events in the corporate-style management, accountancy world proceed at Thirdly, the Big Eight – now the pace of geological time. Six – should never be underes-Every year or so, one inch of timated. Britain's coastline drops into the Atlantic, the Accounting

exposure draft and an audit changes hands. So, while the above arguments are pretty convincing, it is not as though medium-sized companies will switch their audits to a medium-sized firm overnight.

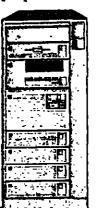
As one partner in such a firm puts it. "Our tactic now must be to drive a wedge into the relationship which binds a client to auditor. We must take every constraints to a product the state." every opportunity to provide non-audit services so the advantage of working with a firm like ours will be driven home to a finance director already upset at the antics of his auditor.'

This process will be assisted by the formidable marketing advantage that the medium-sized firms now have. They are distinctively different from mega-big firms, but hig enough to cope with the requirements of all but the truly multinational client. Most of them have now dropped the idea of company, and have focused on serving the needs of the entre-preneurial, if not owner-managed client. They present themseives as business advisers, not auditors and consultants.

The outlook is good - on the face of it - but not so good that there is room for complaviding personal service at part- now expect. Secondly, man ent is not as profi

**David Waller** 

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## THE AUDITORS

# Not exactly a fraud squad

AUDITORS in the UK have been wrestling with the problem of fraud for five years. Their difficulty: everyone except them appears to think that they should be responsible for detecting and reporting this form of white-collar crime.

These protracted labours are about to come to an end. The outcome: nothing much will change. It is a response which is likely to wipe further lustre from the already tarnished mage of auditors.

image of auditors.

The auditors' views will be contained in a guideline from the Auditing Practices Committee, due out early next year. This will clarify the existing legal position for auditors, and will not suggest that auditors should do any more than they do already.

The profession's arguments have been well rehearsed over

have been well rehearsed over the years. But that does not prevent public concern every time a massive fraud hits the headlines - most recently, the £215m fraud in the International Signals division of

Ferranti.

In such situations, the auditors may have a valid defence. As Mr Matthew Patient of Deloitte Haskins & Sells argues: "If the company's nanagement didn't spot the fraud for two years, why should the auditors?" But this does not prevent then looking to the man in the street about as effective as the Keystone Cops.
The accountants advance two arguments in their defence. Firstly, it is simply impossible to detect all frauds without checking all of a company's transact ducing an unrealistic level of work into the audit. No-one would be prepared to pay for

Secondly, auditors claim they do report frauds wherever necessary, regardless of the popular impression that they popular impression that they are too close to a company's management or bound by confidentiality requirements to blow the whistle. Mr Brian Sizelator Green Singleton-Green, of the Institute of Chartered Accountants in England and Wales, says: "I have yet to hear of a case where an auditor knew about a fraud and didn't

do anything about it."

Despite this, auditors know what the reaction to the APC's guidance is likely to be. Mr Brian Jenkins, head of audit at Coopers & Lybrand, says: "It could be that when it comes out, it will be seen as offering nothing new. People may well think that that is not enough."

The fact that the Department

of Trade and Industry is represented on the APC and has approved the guidance will do little to lessen the political

Developments on other fronts could go some way to meeting public concern. From

the start of 1991, the UK will adopt a new system of audit regulation, courtesy of the European Community's eighth company law directive. This creates a new statutory framework for audit regulation, bringing with it a formal rulebook (to be approved by the Government) and a system

of active checks on auditors to

The threat of dragging a reputation through the courts does not prevent big mistakes

make sure they are doing their This is already drawing a collective groan from auditors. They note with trepldation that the legislation in this area has been drawn up by the same team that brought the

world the Financial Services

As often happens when lightly regulated professions see themselves being hemmed in, complaints of impending bureaucracy and the costs of over-regulation are to be heard on all sides.

The auditors claim they are quite capable of keeping their own house in order. As one says: "When I sign an audit, my whole livelihood is at

stake. We don't need outsiders to come and tell us how to do

However, this overlooks the fact that audit failures do occur - and that they often go hand in hand with big frauds. As partners of Arthur Young have found out to their cost over Johnson Matthey Bankers, the threat of having your reputation dragged through the courts is not enough alone to prevent big mistakes.

A tougher regulatory system for auditors may not stamp out white-collar crime, and it may not prevent auditors making mistakes, but it should reduce the risk of audit failure.

As with many such business issues, meanwhile, fraud has its silver lining for account ants. While not actually accepting any more respons-ibility for catching fraudsters. auditors are quite happy to help companies make life more difficult for the crooks - at a

According to Mr Jenkins at Coopers, the most positive contribution an auditor can make is to point out to managers when their control systems are weak. The next step is to help put rickety control systems right - fodder for the accountancy firms' systems experts, who are usually waiting in the wings.

Richard Waters



US CONFLICT OF INTEREST

# **Auditors seek** closer links with clients

RUMBLEBERS. nightclub rock band in New York, could run into serious problems if they turn in a

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Grand State (1984)

The band's drummer, Mr Bill Lenhart, a senior manager at BDO Seidman, was granted permission to hire one of the firm's clients, A J La Sala, as lead singer, only on condition that the band loses money. The firm is worried that if the band makes a profit they could run-foul of conflict of interest

Most accountancy firms have in-house specialists whose sole job is to keep track of the firm's clients and the interests of its joint venture partners, its own partners and their families. They have to ensure that none of these breach the stringent rules on the independence of the auditor laid down by the US Securities & Exchange Commission (SEC). One rule specifically

A ban on spouses of partners working for a client in an audit-

These rules apparently placed a major stumbling block in the way of a merger discussion between Arthur Andersen and Price Waterhouse that with them.

its ban on auditors working with clients. They argued that the most subcontracts were generally not material to the

generally not material to the audit fee.

The SEC rules are not binding on auditors who are required only to follow the American Institute of Certified Public Accommants (AICPA) rules which are less stringent. However, the SEC will not accept suchist by accommants rules.

If the SEC does accept the division of Andersen's, it could pave the way for the consultancy to raise money in capital markets, bringing it into direct competition with its rivals like computer companies and the investment banks.

Outsiders display a mixed reaction to the issue of the auditors.

former partners working for client could compromise the audit clients unless the partner firm's independence if the client could compromise the firm's independence if the client firm, including pension firm, which in fact it does.

The SEC also expects firms to declare all loans from clients while the AICPA requires firms only to disclose loans that are material to their turn-

In February the SEC turned down the request to allow joint their clients. "It seems to me, wentures based on materiality the more information the audibut they said it would consider tor has, the better."
other possibilities that the profession might come up with. Three months later the firms

LATER THIS month, 10 state and local government associa-tions that provide the principal funding for the US Government Accounting Standards Board (Gasb) will meet in Washington DC to discuss the creation of an alternative to

The rebel government groups are protesting at a late October decision by Gasb's oversight body, the Financial Accounting Foundation (FAF), to force government hospitals, schools and utilities to follow the more stringent private sector rules of the Financial Accounting Standards Board (Fasb) in order to enhance comparability with similar private sector entities.

At the time Mr Larry Wein-Arthur Andersen, said: "I hope the FAF stands tall. Creating new standard setters is not the solution to one disagreement. The profession should set one uniform set of rules and not cater to special interest groups.

About three weeks ago the FAF backed down and decided to work toward comparability within the Gasb rules. So, at the meeting the groups are expected to shelve their plans, at least for the time being, in view of the FAF's change of

If the 10 groups were to go ahead with their plans, the implications for the profession could be far-reaching. Presumably, the new standard-setting body would allow the government associations to follow the present, less stringent, government accounting standards. Then they might have relaxed joint venture work between auditors and their clients.

the rules a little further. Catering to special interest groups will lead to the downfall of the profession, says Mr Weinbach. He points to one of the biggest crises that accountants have had to face in years, being forced to take the blame for the failures of the savings and loan (S&L) industry. The Andersen chief says that part of the problem was special, less stringent reporting rules for

> And the past year, like many others, has been marked by a tug-of-war between the profes sion, its regulators and special interest groups and the consequences of their respective

A month ago, Fash con-cluded hearings on a new standard on accounting for post-re-tirement benefits other than pensions. The standard would have forced companies to subtract the cost of funding this liability from earnings. Close on 470 letters of

comment poured in. They conjured up an image of the damage it would do to companies and begged for alternatives. According to Mr Dennis Beres ford, chairman of Fasb, more than 400 of the letters came from companies, perhaps 30 to 40 came from accountancy firms or associations and fewer than 10 came from users of

Earlier this year, companies complained that the standard setters were exceeding their role, issuing standards left, right and centre, with little consideration for those that resolved to update its industry had to implement the state-

nated the concept of qualification from the audit report and, following the S&L uproar, Mr Bob May, then chairman ments. The FAF had a committee look into these complaints of the AICPA, had to testify and come up with suggestions before Congress to explain why and come up with suggestions

An organisation that brings federal government

Pratap Chattarjee looks at the far-reaching implications

US tug-of-war on standards

to resolve it.

The committee's answer was to increase the number of steps

the auditors had missed reporting problems that were going to cost the Government

to account by setting standards for it

in the standard-setting pro and allow for more outside input. As a result, there was far less issued this year by way of new standards and the final word on two of the most controversial, accounting for income taxes and post-retirement benefits other than pen-sions, has yet to be said. The only other major standards were one that forced companies to consolidate finance subsidiaries on to their main balance sheet and one on financial instruments that should be complete by the end of this year.

The American Institute of Certified Public Accountants (AICPA) spent more time in the standard-setting limelight,

well over \$100bn to straighten

He was not the only accoun tant to appear. Last month Mr William Gladstone, chairman of Arthur Young, had to face charges in Congress from Mr Richard Breeden, the new Securities & Exchange Commission chairman, that the firm had significantly hindered SEC investigations into the collapse of a former S&L client.

And in the most recent analysis of S&L failures, only two of the top 20 firms escaped charges of being asleep at the wheel. Many of the firms are now being sued for hundreds of millions of dollars for either failing to detect the problems and even for conniving at some

issuing nine statements of of the fraud.

anditing standards that elimi
But in 19

But in 1989 the S&L crisis was overshadowed by one other event in the history of the accountancy profession - merger mania. The accountancy firms appear well on the way to reducing the oligopoly of the largest firms to a monopoly.

The first-tier accountancy firms now audit virtually every single Fortune 500 company. With little chance of picking up very many small busi-nesses, their revenue growth is dwindling. In order to forge ahead, four of the Big Right firms decided to merge, reducing the number of first-tier

Arthur Young and Ernst & Whinney combined to form Ernst & Young while Deloitte, Haskins & Sells combined with Touche Ross to form Deloitte Ross Tohmatsu. It would probably have been the Big Five apparently, had it not been for SEC rules, among other fac-tors, that would have forced Arthur Andersen and Price Waterhouse to give up some of their more lucrative joint venture work.

First-tier firm partners are reluctant to attribute the mergers to the egoistical drive to be first or the desire to increase their profits. They repeat their

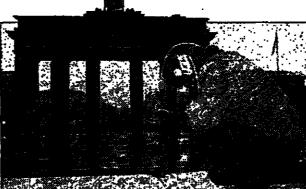
new buzz word – globalisation. One Big Six managing partner explained that it was the marketplace that was becoming more global and forcing accountants to expand to answer its demands.

But it is a fact that IIS fireas are worried about their position in the markets. Most of them have rewritten their regional and international strategies in the past few years. For instance Andersen lost a number of its top consultants, because they were not happy with how they were being paid. As a result, Andersen had to reallocate the way it divided it profits and its consultants now expect to take home 30 per cent more than they would have last year.

Looking towards 1990, Mr Beresford says Fasb expects to complete its work on pensions and income taxes and is intending to issue statements on consolidation that will define how companies are con-trolled in the hope of getting rid of off-balance sheet subsidiaries, the impairment of long-term assets and interest

And Mr Charles Kaiser, the new chairman of the AICPA, is pressing for one of his pet agendas, the creation of an organisation that will bring deral government to account by setting standards for it and creating a chief financial officer to make sure that politicians do not find ways of "cooking the books" to get around the Gramm-Rudman-Hollings budget deficit reduc-tion plan.

# 113 Good News.



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sensitive function bans auditors from entering into a joint venture partner-

ship with any of its audit cli-The rules have drawn a lot of flak from the profession and recently the SEC decided to

give them an overhaul. By New Year's Day, Mr John Riley, associate chief accoun-tant of the SEC, says his agency expects to have a con-cept paper that will revise the previous definition of the inde-pendence of the auditor.

would have created the biggest accountancy firm in the world. Price Waterhouse, for instance, audits Compaq, Hewlett Packard, IBM and NCR while Andersen's, the world's largest consultancy. consultancy firm, routinely subcontracts a lot of work to the same computer companies and is aggressively looking to expand in that field by setting up a number of joint ventures

Last March Andersen, KPMG Peat Marwick and Price Water-house petitioned the SEC to lift

who do not comply with its rules.

A few of the areas in which the SEC's rules are stricter than the AICPA's include a countants should keep their than the AICPA's include a countants should keep their than the AICPA's include a countants should keep their place and not try to diversify too much one accounting analyst at a New York securities function, the preparation of books or ferceasts for an audit client, empressing opinions on any of their audit client's activities even ahread and a ban on a client could compromise the

In September the SEC agreed to review the entire indepen dence question within six months. According to Mr Riley

filed a revised proposal that

placed five limiting factors on

the review consists of three parts, one that deals exclusively with the firms proposal on joint ventures, another that will look at the differences between the AICPA and the SEC's rules and a final part that will try to bring the SEC rules up to par with international standards. In pursuit of the final part.

the SEC is looking at an expo-sure draft that the International Federation of Accountants (IFAC) put out in June, entitled "Code of Professional Ethics for the Accountancy Profession." The SEC has also solicited independence of the auditor rules from seven other countries.

By January Mr Riley expects to have some ideas for firms to comment on and his office may present some of these to a feeting of the accounting and auditing working party of the international Organisation of Securities Commissions in

In the meantime, the accountancy profession is not waiting for the SEC decision but is working its way round it. One proposal that firms are considering is asking contractors to issue separate contracts for themselves and their audit

And at Andersen's accountants working with Andersen Consulting, Arthur Andersen's consulting arm, surrendered their auditing licences on Sep-tember 30 in order to complete the division between the consulting and accounting and tax strategic business units of the

The idea was to present two different firms, one a manage-ment consultancy and the other an accountancy firm, with strict rules preventing overlap in the hope that even-tually the SEC would allow Andersen Consulting to conduct joint ventures with clients of the audit division, if it was convinced that the two were being run independently.

Instead of waiting for the SEC decision, the profession is working its way round it

Yet others are strongly for accountants working with their audit clients. Mr John Burton, a former chief accoun-tant at the SEC, says that audi-tors who conduct joint ventures with their clients would be better able to understand and therefore advise and audit

Pratap Chattarjee

embraced enthusiastically by

the big consultancy firms. Pos-

they are now going about preaching the virtues of activity costing, arguing that UK companies which take it on

board will give themselves an advantage over their rivals.

If obsolescent accounting is dangerous, it is probably

equally dangerous to rely over-much on all the new tech-niques. Those UK companies

which have proved most recep-tive to the new ideas tend to use activity costing in conjunc-tion with old-fashioned stan-

dard costing.
Furthermore, a recent report

sponsored by the Chartered Institute of Management Accountants# points out that

the Japanese are backward in their cost-accounting. Even in

their most modern factories, they base their overhead allo-

cations on labour hours -

probably because they believe this ties an individual worker

much more closely to his or

her own output. Yet it is clear from this docu

ment that the Japanese do not base important decisions solely

on these statistics: they form only part of a market-driven

management equation. Unlike manufacturers in the US or UK, they price their products with reference to what the

market will bear, not by adding on a desired profit mar-

Companies at the forefront

of activity costing tend to be scentical about its benefits – as they would of any other

agree that a process which

encourages managers to ask fundamental questions about

the business - and the forces

driving the costs of being in

**David Waller** 

business - is worthwhile.

gin to the cost bill.

# The case for activity costing

MANAGEMENT accountancy has acquired a glamour all of its own in recent years. The words no longer conjure up images of green-visored costs and works clerks slaving away over the cash book or purchase

ledger.
Instead, they are associated with the Harvard Business School, advanced manufactur-ing techniques and computeraided design. A previously dowdy area now has a jazzy language all of its own, involv-ing new concepts such as activ-

ity costing and cost-drivers. The Harvard connection comes in the form of Robert Kaplan, a professor at the busi-ness school who over the last few years has been waging a battle to show complacent industrialists that their accounting systems are dan-gerously anachronistic.

In a series of articles – and a readable book\* – Kaplan argued that US manufacturers were at a severe disadvantage to their Japanese competitors because of their approach to costing and pricing.

He pointed out that a factory in the late 1980s was a very different place from its equivalent 10 years ago. Nowadays, he said, there were few overalled workers standing around feeding hoppers or bolting wid-gets onto machines as they

pass by on an assembly line. Instead, factories are largely automated. Workers have been pared back, computers have taken the place of human know how and — in the ideal of the factory of the future — the lights will have been switched off, too. And with the arrival of Just-In-Time delivery systems, no longer does a company hold mountains of inven-tory and virtually all the space in a factory is dedicated to productive machines.

This picture of the worldclass manufacturing unit may not coincide with reality in many cases. But Kaplan was aware that more big companies

- particularly those competing in world markets – were
moving in this direction.

He observed that the cost-

systems used by managers within this new environment were based on obsolete assumptions. Specifically, the sharing out of overheads between the products - in order to determine the socalled standard cost - was determined with reference to the number of man-hours that went into making that product.

Given that in the new envi-ronment labour was a relatively unimportant constituent of the total cost, that was a daft hasis on which to apportion total costs, Kaplan argued. In his book (written in collaboration with another costing guru, H Thomas Johnson) he cited the example of a factory where direct labour accounted for 4 per cent of the total cost bill. And yet 65 per cent of the plant's cost system was focused on direct labour.

According to Kaplan, accounting obsolescence was cation of resources. Poor-quality figures were being relied upon to make decisions of stra-tegic importance — on what mix of products to manufacture, what price to sell them at, and what products to drop ether and source from a third party.

For a company, this could

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and a slide into losses. Worse, whole industries and national economies could suffer as they faced intensifying competition from south-east Asia. Kaplan's solution was something called

activity costing.

At this point, it would be easy to alip into jargon. But although Kaplan's ideas may seem complex, they are shot through with one simple principle: that managers should break down the divide between fixed and variable costs and look at the total cost to the \*Relevance Last: The Rise and

Fall of Management Account-ing. H Thomas Johnson and Robert Kaplan, Harvard Business School Press (1987). #Management Accounting, Evolution not Revolution. M. Bromwich and A. Bhimani of the London School of Economics. Available from CIMA, 63 Port-land Place, London WI. £9.95 (plus 75p postage for UK, £1.50

business of making a given

product. The process is accelerated by identifying so-called cost-drivers: the task here is to spotwhat factors really influence the cost of a product. If product A requires a relationship with 10 outside suppliers, and product B just two, then prod-uct A should bear a bigger share of the purchasing department's costs.

Another plank in the Kaplan philosophy was that managers should make more use of nonfinancial criteria in making their resource allocation decisions. One should not look simply at short-term financial cri-teria, but at factors such as the number of unexpected machine

failures. Kaplan's arguments are very plausible and have been

**Deadline for Dearing plan** 

David Waller expects tougher UK standards

IT IS scarcely credible, but 1989 looks set to have been the Accounting Standards Committee's last full year in existence. For next summer, this august body - its origins go back 20 years to the aftermath of Gen-eral Electric Company's takeover of Associated Electrical Industries – will pass away to be replaced by the Financial Reporting Council (FRC).

Reporting Council (FRC).

The profession first suggested the idea of a review of the standards-setting regime in November 1987; Sir Ron Dearing – the former chairman of the Post Office who chaired the committee of invited the committee of inquiry - came up with his proposals a year later; after long - and as yet unresolved - debate over how to pay for the new bodies - Sir Ron him-

self was appointed to head up the FRC in October this year. He has given himself until the beginning of 1990 to resolve the funding issue — a tough task given the recalcitrance of all those involved in the first bout of negotiations early this year. Sir Ron first suggested that the FRC might cost £1.5m; it is now clear that £4m might be a more realistic figure, given staffing levels and the costs of monitoring compliance

with the new standards. The need for the FRC - for the tougher standards regime that it envisages - has never been more clear. Important accounting problems - on brands, on goodwill, on merg-ers and acquisitions more gen-erally — are still unresolved. And as the UK economy lurches into a bad patch, the lax standards of the past are becoming more evident by the day. An increasing number of companies, formerly borne

this year.
This is gloomy news for the UK's capital markets, the reputation of which depends to a large extent on the reliability of the financial information produced by listed companies. And it encourages the legisla-tive tendencies of the bureaucrats in Brussels, who are thinking of introducing a third tier of European standards in

any case.

In its time, the ASC was a model of the sort of Anglo-Saxon, non-statutory organisation that is becoming increasingly unfashionable in the world of the Financial Services Act and Directives from the European Commission. Its pronouncements - while open to much criticism on occasions have massively enhanced the quality of financial report-ing in the UK. To its credit are

the rules: requiring the disclo-sure of accounting policies; on equity accounting, funds state-ments and earnings per share. As Mr Michael Renshall the current and presumably last chairman of the ASC puts it — "all this is now taken for granted but they were not gen-erally accepted before 1970." But the ASC's inability to

introduce an enforceable standard on inflation - after more than a decade of wrestling with the subject — was only the most public manifestation of the ASC's fundamental weakness. The fact that it was staf-fed largely by nominees of the UK's six professional bodies and that no recommendations could be turned into standards without the unanimous agreement of these bodies, meant that it was an unresponsive. slow-moving creature.

along by a potent combination of lax accounting and a bull market in equities, find that they are unable to generate the

powers to enforce compliance with its standards. It falled to push out strong, no-nonsense edicts on some of the more contentious aspects of British accounting. And some of the standards it did issue were the oretically unsound and open to abuse by finance directors.

Over the last year, the ASC has been deliberating over a bundle of related issues, rang-ing from the treatment of intangible assets such as brands to goodwill and merger and acquisition accounting. The tenor of ASC's thought on these matters has leaked out: it wants to force companies to put goodwill onto the balance sheet. Having done that, it rea-sons, there will be little need for companies to capitalise their brands - hence this prac-tice will be discouraged. And the conditions under which merger accounting can be applied will be tightened up. Coupled with the rules on

the disclosure of goodwill -issued in May this year - this could represent a strong package. But the proposals will arouse the wrath of finance directors, zealous of the flexi-bility afforded to them by current accounting rules in these areas, and more so of the sup-posed commercial advantage aged by the Dearing plan.

other competitors in that they can make acquisitions without giving any thought to the goodA STATE

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It is doubtful that the ASC would be able to force these measures through. As it is, they will be passed on to the Financial Reporting Council. If this new body deems that the ASC's legacy is in the interests of financial reporting in the UK in general - rather than simply against some companies' interests - it will have the clout to do something

If all goes according to plan, the FRC will be staffed by dig-nitaries from the City and industry, as well as from the accountancy profession. Ideally, the Accounting Standards Board will have attracted some of the brightest accounting brains in the UK. And the Review Panel will investigate departures from standards, backed up with powers to apply to the courts to require listed companies to revise their accounts if they are not true and fair.

It is in the longer-term interest of the UK economy, of businesses and the profession itself, to ensure that the Dearing proposals are put into effect. One incentive is to consider developments in Brussels. A meeting of all EC member states is taking place next month to consider what ought. to be done about accounting standards in Europe. Practitio-ners fear the "third tier" option — ie European standards introduced in addition to international and national ones. Under the circumstances, the UK can only benefit from having a strong domestic stan-dards base, such as is envis-

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#### **FINANCE**

# A checklist for managers

MR DEREK SACH of 3i is well management within the accountancy profession, having presided over the lending of approximately £100m to some 200 firms, most of them accountancy practices. Frequently, he observes, there is simply no financial management: the firms' finances are in a lamentable state.

here, one of management within a profession. Until recently, a typical firm would have evolved into a federal structure, run without the dis-ciplines and central command

their technical skills or longevity of service — would formally run the business.

The other partners would respect what the senior cadre told them to do — but any tendency to bow to the dictates of head office would be tempered by the thought that partner-ship meant unlimited liability. If one's entire personal wealth was at stake, one felt inclined to consider one's portfolio of clients as a personal fiefdom.

Any attempt to impose finan-cial controls and disciplines would be resented. Indeed, no attempt would be made: the partners would get on with running the business in the time-bonoured way of serving the client. There would be no-one in the centre willing to put his foot down, impose a firm-wide strategy and perfor-

mance targets.
Some of the more sophisticated Big Eight firms addressed these problems years ago. These firms are run as if they were corporate entities, with formal command structures and a financial reporting framework. The medium-sized firms have increasingly followed suit, per-baps because in the last few years they have grown to be as big as the Big Eight were in the middle of the decade.

Is your firm - either the one you work for or the one which works for you - well-man-aged? Here is a checklist of points which should have been tackled by the professional accountant wanting to be a professional manager to boot.

Command structure. Many

structures of an industrial firms appear to have a host of pool resources to finance company. A group of senior important people at the top, long-term investment in train-partners — distinguished by their technical skills or longev-head of audit, head of the Lon-Companies Act, one could turn don office, senior partner, to outside shareholders for national managing partner, chairman. It is often difficult to know quite who runs a firm - down this route in the forest where the real authority lies.

| Profits vs size. The well-ners are now thinking of ways managed firm ought to be to eliminate the mismatch more preoccupied with profitbetween short-term finance ability than size for its own and long-term investment. sake. This is the crucial test of whether management author-ity can be exercised. If it can,

poor quality turnover and poor quality partners will be dis-posed of and unprofitable regional offices shut down. The main focus of the business ought to be on productivity fees per employee at every level in the firm. Financial control. Inextricably linked to the previous point. The firm should pay careful attention to cash flow

and the time which clients take to settle their bills. "The typical balance sheet

of an impact on the balance sheet than a similar disruption in an industrial company." A good firm will thus be run as if it is a well-managed com-pany. Formal incorporation — that the firms have been grow-as allowed by this year's Com-panies Act — does not really years, that capital appreciation matter: one can maintain the could be stupendous. partnership structure, and the professional ethic that goes with such an arrangement,

without compromising on manfirms differ from their counterparts in industry — even service industry — is in how they are financed. An element of accountants which the firms this is constituted by equity in the form of partners' capital accounts: but as a proportion of the total balance sheet this is very small. Debt, mainly short-term, overwhelms equity.

A driving force behind this summer's bout of mega-mergers was the need for firms to be served.

The proportion of the total balance sheet this is very small. Debt, mainly involved in being a partner, that looks like a raw deal.

David Waller

equity to pay for such projects, but few firms are likely to go

Arthur Andersen has tapped the US commercial paper markets. "Just to show that it could be done", observes Mr Roy Chapman, UK managing partner. He thinks it likely that the firm will not be seen as the could be firm will not be seen as the country of the seen as t that his firm will make more use of project finance in future – especially when buying buildings. Firms have used

leasing to finance investment in technology for some time.

One problem which none of the firms has yet tackled is that of goodwill, faintly ironic given the ingenuity which firms lavish on their clients in this department. The firms are for an accountancy firm is highly liquid," observes Mr Michael Sheasby, finance partner at Ernst & Young. "The main assets are work in-progress and debtors. An upset in cash flow can have the hallows."

The typical balance sheet this department. The firms are happy to dream up ways of boltance public company balance sheets — but so far they have not dared deal with the problem on their own account. Partners are currently remunerated very generously in

nerated very generously in terms of income – but there is no mechanism for them to real-ise the capital value of their stake in the firm when they

Firms like to skirt round the problem by saying that the goodwill does not belong to the partners individually, but to the partnership in general, to One of the ways in which be passed down from genera-firms differ from their counter-

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# Single market: battleground of the future has potential

EUROPE OFFERS both opportunity to market one's problems and opportunities to whole range of services to the accountancy industry. The clients which — perhaps only problems arise because of the rhetoric of 1992 different languages, myriad different business cultures and matter are below with the interproblems and opportunities to the accountancy industry. The problems arise because of different languages, myriad different business cultures and different professional and accounting standards - and the difficulties of managing cross-border bosh

The opportunities arise because of the money to be made out of advising 1992minded companies how to get round similar obstacles in their own business sectors. Moreover, the markets for the sort of services which accountancy firms are accustomed to sell elsewhere in the globe are relatively under-exploited on the Continent.

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unity is the battleground of the future. The markets have both enormous growth potential. Even at their present size, they are under-serviced and immature. Hence the big firms are scrabbling to form new alliances with local firms.

Just how immature the most basic of the markets is can be illustrated by recent statistics from the Centre for International Financial Analysis and Research in the US. In North America, the figures show, the international firms audit 87 per cent of the higgest companies — whereas the fig-ure for Europe — including the UK — is only 67 per cent. The so-called Small Eight

The so-called Small Eight audit have nearly 10 per cent of the EC market — more than the 5 per cent audited by the same firms in the US — but that still leaves 22 per cent of Europe's biggest 3,672 companies audited by local firms, it is not surprising that the local firms are being wooed intensively by the big firms.

They do not simply want the audit business, of course. A deal such as that whereby deal such as that whereby Price Waterhouse has acquired a "significant minerity" stake ir Revisuisse, Switzerland's third largest firm — with a view to taking this to a majority holding in time — plugs

international firm into the local business network. One picks up a few audits, but one also has the

firm can help with the inter-nationalisation process, in identifying and arranging

More importantly, the firm can introduce its clients to what is best practice inter-

nationally in, say, financial

from anticipating the needs of their elients as they begin to treat Europe as a single

Snapping up a non-affiliated firm is one way of expanding; the other is to exploit the post-merger fall-out by wresting a local firm away from one international network to another. This year has seen a host of such switches of affiliation, ranging from the former Deloitte firms

The extent to which the partners from the various national firms actually subsidise one another is a trade secret

controls or costing. This intro-duction will take the form of consultancy advice, the market for which is deemed to be at its very earliest stage in many European countries. And consultancy can go beyond straightforward financial matters to the panoply of services provided by the Rig Six/Right.

The other side of the coin is that by establishing a strong network the accountancy firm can help clients from other parts of Europe – or indeed from outside Europe alto-gether - with its business gother – with its business plans in each European country. In short, the accountancy firms ought to benefit

(in Belgium and the Netherlands, for example) which have jumped into bed with Coopers & Lybrand, to the French Befec & Associes defection from BDO Binder Hamlyn to Price Waterhouse. The game of musical chairs illustrates one huge problem that the firms are encountering in establishing strong

European practices.
Some of the firms — notably
Peat Marwick Mitchell, which
triumphed over its competitors two years ago when it linked up with KMG - make a virtue out of giving its components as much autonomy as possible. Others argue that the goal of common standards and

# Training standards

THE TRAINING Agency (formerly the Training Comion) has asked the Association of Accounting Techniclans to carry out a project to draft standards of competence for accounting staff.

The agency has been charged by the Government to establish employment-led standards of competence for all occupational areas by 1991. A working party was formed in late 1987 in response to concern that there was no single body able to lay down occupational standards for accounting staff. It includes representa-tives of all the principal inter-

ests in the profession. The project will be the first major look at the work of accounting staff at technician level since a survey sponsored by the Manpower Services Commission in 1979. The draft standards will be circulated widely in the hope that they will receive approval across the profession as a whole.

Transcend Technology has been contracted to test the draft standards for accuracy, reliability and validity with employees, employers and training providers both in pubcommon strategy is not possible without tighter control from the centre.

Into the latter camp falls PW, which last year established a single, profit-charing partnership for Europe. The extent to which the partners from the various national firms actually subsidise one another is a trade secret, but the new mechanism will undoubtedly concentrate partners' minds on the desired objective of having a single European market

Arthur Andersen is the only artnur Andersen is the enty international firm to have a single partnership for its entire global practice. It has been in Europe since the 1950s and has established market leadership in both Italy and Spain, both countries with enormous economic potential. It grew not so much via strategic mergers with local firms but by selling computer consultancy. On the back of this, it would win business in

other areas.
It is ironic that the firms, which have so much to gain from advising companies how to get round local legislation, may themselves fall victim to legislation. In Italy, for example, the firms have had to spin off their tax practices from the audit business, and have to observe strict rules segmenting consultancy from audit. Moreover, they have to relinguish the job as auditor to quoted companies every

Much to the horror of the international firms, Spain has recently imposed a similar set

If such legislation gives a Europe-minded partner a feeling of extreme disquiet, he (or she) need only turn to the Eastern Bloc to revise his (or her) spirits. The potential is enormous, and Price Waterhouse and Ernst & Young are firms at the forefront of developments here. As an indication of what is to come, PW was heavily involved in preparing Tungsram, the Hungarian lighting company, for its link-up with General

**Profile: ERNST & YOUNG** 

# The bigger, the better

IT IS often forgotten during talk of this year's mega-merger season that only one pair of firms this year has actually managed to consummate a proper alliance. The two firms involved are, of course, Ernst & Whinney and Arthur Young, which announced their intention to come together at the beginning of May to form what is now called Brost & Young. The new entity is justifiably

proud of having secured a match before all its competitors, and of having stitched itself together without the global fragmentation that one has subsequently seen with the Deloitte/Touche/Coopers affair. Morale seems to be high and in Morale seems to be high and in the words of the senior partner of another hig firm, "Ernst & Young is definitely a firm which shows all the signs of getting its act together."

On the face of it, there has been very little fall-out, either

in terms of clients, member firms or staff. There was one very public

chent defection when PA Con-sulting, formerly audited by Ernst & Whinney,dropped the new firm in favour of Grant Thornton. Although PA blamed the switch on the conflicts of interest engendered by the merger, E&Y says the real reason for the loss was that PA is a rival player in the fierce consultancy markets where the merged firm is hoping to

expand aggressively.

As a testament to its ability to hang on to clients, E&Y points to the fact that arch-ri-vals Pepsi-Cola and Coca-Cola formerly audited by Arthur Young and Ernst & Whinney respectively – do not object to being audited by the same

On the international front, the biggest defection was that that of Canada's largest firm, Ernst & Whinney Thorne, to KPMG in August. E&Y maintains that some realignment was inevitable in Canada where the merged firm would have had a 45 per cent market share, and that it is quite happy to have held onto Clarkson Gordon, the AY firm. Otherwise, the original alliances are substantially intact and Mr Elwyn Eilledge, joint chairman of the international firm and senior partner of the UK firm. says that 97 per cent of the staff working for the two inde-



where around the globe, Ernst

was the bigger, more profitable firm, with the better portfollo

of audit clients. Moreover,

AY's morale was dented by the prolonged trauma of the John-son Matthey Bankers affair.

After all, it was only in February this year that AY's partners (or their insurers) made the second of two £25m dam-

ages payments over their role

as auditors to JMB.

Mr Eilledge says it will take
at least two years before part-

ners' earnings all come from the same pot. Over that time it

is hoped that profit discrepan-

cles will be ironed out: in the meantime, profit-sharing is to be calculated as if the partners

still belonged to two separate

The new firm has suffered

pendent firms have now come

Any merger is upsetting and E&Y partners acknowledge that there is some anxiety among two levels of employee: those reasonably new recruits who feel loyal to their auditing group rather than the firm and may feel disquiet at the pros-pect of merging offices, and those senior managers who might feel that their partner-ship prospects have suddenly receded below the horizon.

The number of UK partners who have actually left is limited to around a dozen. Although this is not large in relation to the total partner-ship of 440 (as at the end of March), it is noticeable that those who went were predominantly - if not exclusively former partners in Arthur Young rather than Ernst & Whinney. Included in their number were one or two senior AY people, including Mr John Howells, the former managing pariner of AY's London office, and Mr Roger Butler, a senior tax partner.

The executive management of the new firm is extremely keen to play down any sugges-tion that the merger was more of an Ernst takeover than a proper merger. Yet it is unden-iable that in the UK and elsehave come under criticism from the Securities and Exchange Commission for AY's role as auditor to Lincoln Savings and Loan, which col-lapsed at cost of \$2bn to US taxpayers. Moreover, in the UK, E&Y made the unusual admission that the Budgen supermarket group's accounts
- audited by AY - were

wrong for 1986 and 1987 in that they failed to disclose a reorganisation provision. And AY was the auditor to Cray Electronics, a UK company which last month was obliged to restate its 1988-89 pre-tax profits from £17.03m to £5.4m.

These are examples of past problems coming to light now, and should not make rival firms complacent. For a start, the new firm has a formidable audit client base - it audits 23 per cent of the world's leading banks and 27 per cent of insur-ance companies, plus the bulk of the oil majors. AY brings its highly regarded tax practice to the party, plus a much stronger presence in continental

Europe than E&W.

Together, the two firms stand a much better chance of establishing a strong consultancy arm. This was an area where the independent firms were both weak, eclipsed by all the other Big Eight other than Deloitte and Touche Ross, Mr Clive Williams, poached from Coopers to run the enlarged practice, says that E&Y is now finding itself invited to pitch for projects for which previously neither E&W or AY would have been considered. The firm claims to have won some big contracts already but is reluctant to go into details.

	Number	Renking	
	audited	Pre-merger	Post-merger
Pest Marwick McLintock	188	1	1
Price Waterhouse	147	2	3
Arthur Andersen	69	6	5
Ernst & Whitney	70	5	-
Arthur Young	58	8	• •
Ernst & Young	128	-	4
Deloitie Haskins & Selis	89	3	-
Coopers & Lybrand	80	4	-
Coopers & Deloittes	169	-	2
Touche Ross	49	7	6
Others	250	-	-

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**Profile: SPICER AND OPPENHEIM** 

# Focus on the four Fs

AT THE risk of laying himself open to all sorts of jokes, Mr Clive Bastin, the managing partner of Spicer and Oppenheim, maintains that the emphasis of the firm is on the four Fs — financial

performance, flair, focus and fun. In terms of financial performance the firm has little to complain of. In the past five years its fee income has risen strongly, up from a UK total of £38m in 1985 to £83.2m in 1988. The years in between have seen an uninterrupted

expansion of revenues expansion of revenues.

Yet the period is unlikely to be looked back on by Spicer and Oppenheim partners as consisting of nothing but fun, fun, fun. Although the firm has managed to keep growing, it has only been able to do so by negotiating some dangerous

Spicer and Oppenheim prospered by being known as the City accountants without a serious rival. The blue-blooded firms of jobbers or stockbrokers that made up the old City were likely to have the firm as its auditors and tax advisers. From such a privileged position, the Big Bang, and the rapid expansion of City players that came with it, was a once in a lifetime opportunity to increase the size of the firm

ignificantly. Initially it did expand, carving out slabs of auditing and consulting work from the explosion. Yet with the crash of 1987, and the subsequent alimning of City firms, both in size and in number, many observers saw Spicer and Oppenheim as dangerously dependent on one sector. A slump in its fee income was widely

#### A surprising defection of a team of information technology consultants

expected as a result of that

However, the slump did not arrive. "Financial services work has kept growing despite the loss of audit work," says Mr Bastin. "We have managed to pick up a lot more non-compliance work. And there is a huge amount of work as new stockbrokers are being set up.

Yet other troublesome problems have nagged at the firm. In December, there team of information technology consultants moved from Spicer and Oppenheim to Ernst and Whinney. The team had been built up by Mr John Rankin: he moved first, and was followed by the rest of his staff. Of little significance in itself, the incident raised suspicions that Spicer and Oppenheim was having problems retaining the small units of expert specialists upon whom much of the firm's lucrative consulting income

Mr Bastin, however, argues that the only by the growth of the city, its fastest



Clive Bastin: "Niche markeling works"

episode says little about the future of the "We were re-organising certain aspects of the practice. There was a disagreement," he says. More defections are unlikely, he maintains.

Another stain on the year has been the Barlow Clowes affair. Along with Touche Ross, Spicer and Oppenheim is being investigated by the accountancy profession's Joint Disciplinary Scheme over its role as auditors to the failed investment firm from 1984 to 1987. The outcome of the inquiry will crucially influence whether any legal action is taken against the firm for its part in monitoring the financial affairs of Barlow Clowes. But Mr Bastin says the invest-igation has so far had no effect on morale within the firm or on its image among its clients; at the same time he is sure that the inquiry will vindicate the firm.

Yet Spicer and Oppenheim is keen to see perception of the firm adjusted. Although it came relatively unscathed through the collapse of the Big Bang boom, the firm has worked hard to change its image as a City firm. No particular sector now accounts for more than a quarter of its fee income, a situation the firm would like to maintain. Instead, it has developed its revenues by concentrating on four main areas: owner-managed businesses, public corporations, the financial services industry and corporate recovery and

insolvency.

Now, far from being propelled forward

growing offices are all outside the south-east: Bristol is growing at more than 25 per cent a year, but apart from that the fastest expanding offices are in places such as Newcastle and Hull That reflects the fact that the expansion of the economy

is drifting gradually northwards.
"Properly done, niche marketing works," comments Mr Bastin. Five years ago, the firm set itself the target of being the largest accountants in the second-division. It claims some powers of prophecy, saying it saw the current wave of mega-mergers coming, and, having decided not to compete in that arena, set itself the more modest target of being the argest outside the Big Four or Five or Six. In effect, that meant overtaking other medium-sized rivals such as Grant

medium-sized rivals such as Grant Thornton and Binder Hamlyn.

That ambition, despite the bumps, has now been realised. In its place the firm now has to find another goal if it is not to drift aimlessly. In September it revealed that it was engaged in merger talks with Horwath and Horwath, another second-tier international practice. The talks came to nothing — "it's dead and buried," says Mr Bastin. But the fact that they took place at all shows a certain degree of indecis-iveness. Previously, the firm had been set against mergers and those exploratory talks having come to nothing, it is against

them again now.

According to Mr Bastin, the firm aims to plan ahead on a three- to four-year timescale. Among the issues he says it has to address are the regulatory chances that are likely to permit multi-disciplinary firm

"The culture of a legal firm makes it difficult for it to work with an accountancy firm"

and outside investors. He is suspicious of multi-disciplinary practices. "We are already multi-disciplinary, but I do not see the wisdom of takeovers. The culture of a legal firm makes it very difficult for it to work together with an accountancy firm." Outside investment, however, is very firmly on Spicer and Oppenheim's agenda.
"It is an emotional issue but I think it will

come," Mr Bastin says.

The firm sees two types of outside investment; at the group level financial investment to fund further expansion and to provide capital; and at a subsidiary level, joint ventures with organisations that have particular skills the firm needs

The next decade is also likely to be a time of severe people shortages for the accounting firms - competition between firms, Mr Bastin suggests, is likely to be as hot for staff as it is for clients. Dealing with those issues successfully is the firm's

**Profile: CASSON BECKMAN** 

# Pace-setting techniques

ALTHOUGH IT is a relatively small outfit, the West End firm of chartered accountants Casson Beckman has already attacked the problems of growth and size in a way that throws down a challenge to some of its mightier rivals.

The UK firm - located in just one office in Gower Street, over the road from the Capital Radio tower - generated a fee income of £10m in the latest 12 months. To the casual observer it would appear to be another run-of-the-mill medium-sized firm, earning a good living, but sparking little excitement out-side its own office walls. Yet the firm is pioneering techniques of management that may in time prove to be setting the pace for controlling profes sional practices.

Casson Beckman was founded just after the Second World War by, predictably enough, a Mr Casson and a Mr Beckman. It established itsel slowly and surely, but it has only been in the past few years that its growth began to accelerate beyond a walking pace. In 1987, its fee income was £5m it has doubled in the space of three years.

That rate of growth has to be set against the backdrop of an overall expansion of demand for accountancy services. All firms have experienced heady expansion as accountants have bolted on a variety of consult-ing services to their basic book checking skills. At the same time, the middle to late 1980s have witnessed a rapid expansion in the small, owner-managed business sector, fuelled by the trend towards management relatively small business) and in entrepreneurial start-ups.

As a result, firms such as Casson Beckman that zero in on the small, proprietorial company have been able to exploit a windfall expansion in their customer base.

According to Mr Peter Catto, marketing director for the firm, the practice has made a specialism of the owner-managed business, and has prospered by catering to what it perceives to be its needs. "We have a philosophy here that, although we offer all the services you would expect, our real role is to act as business advisers. We will present some one with ideas and opportuni-ties that will help him to



John Pearce, chief executive of Casson Beckman: a manager,

grow," he says.

Although clients range from the very small to quoted companies, the backbone of the firm is the self-managed company with profits ranging up to

The marketing opportunity is clear — small companies may be expert in the own area but often need access to a wider range of business skills at relatively low cost. Auditors can position themselves as a convenient and relatively inexpensive source.

The strategy contains no gimmicks, yet on the basis of the rise in fee income (achieved without any significant mergers or acquisitions) it works. The rapid rate of growth, however, imposes problems of its own. Once the firm starts to expand, there is a danger that the quality of the service and the personal attention that can be lavished on individual clients (the only significant marketing weapons a medium-sized practice has to compete with the big, interna-tional firms) will start to erode.

To tackle the problems of growth, Casson Beckman this year took the novel approach of appointing a chief executive to concentrate on the running of the firm and to work sepa-rately from the senior partner and the other partners who own the practice. The man chosen, Mr John Pearce, was, moreover, not an accountant "Over the past three years we have taken a look at the way the firm is run and decided it is important to introduce professional manage-ment," says Mr Pearce. "There is a lot of good things about a partnership, but there are also weaknesses."

The key problem with traditional partnership management that the firm has identified is the muddling of people's tasks. Running a firm requires two skills: low-level organisational tasks concerning routine administration, and high-level strategic thinking. The former is too trivial to be allowed to consume the time of skilled experts; the latter is too important to be left for whatever few minutes a day partners can snatch in between dealing with

cliente In Mr Pearce's analysis a growing firm goes through three distinct phases. In the first phase of a small practice, the partners all know each other, and are aware of all the relevant information; strategy can then be set informally over lunch. In phase two, however, the expanding size of the firm means communications become stretched.

If the firm is growing slowly. or faces no significant choices, or faces no significant choices, then no difficulties need arise. But if it is growing rapidly, then it can easily crash. Unless it moves to stage three, defined

by Mr Pearce as where the development of strategic plan-ning has been devolved to managers who can concentrate full-time on the issues that the firm needs to tackle.

In essence, the plan involves transforming the structure of a professional firm so that it resembles a company, with the partners as the product that the business sells. Feathers can be ruffled by the situation - the chief executive has to set strategy for the partners who own the business. Yet, as Mr Pearce points out, the situa tion is little different from many small companies that are owned by a collection of work ing shareholders but run by one executive.

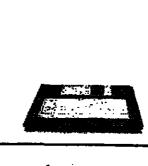
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At Casson Beckman a three-point plan has emerged It consists of deepening organic growth by targeting specific markets for attack; to add additional services onto its portfolio; and occasionally to acquire smaller partnerships. It is not startlingly original many other accountancy firms will be trying to do the same things over the coming few years. Yet its newly designed management structure may enable the firm to implement its plans more successfully than its rivals. If it does, then its competitors will be quick to ape the techniques it has developed.

Matthew Lynn





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# Fresh light on how people go about work

By Michael Dixon

AT WHAT time, if ever, do you usually feel energetic and productive: in the day, at night, or sometimes one and sometimes the other?
Moreover, if you wear a
watch that you chose yourself, is it digital or the older
type with hands?

While those questions may seem trivial, they could well be indicative of the jobs readers are best fitted for. Studies of over half a million people have shown that the times we feel energetic and the watches we prefer tend to reflect our fundamental ways

of working.
The studies originated with physiological research on the brain culminating in the discovery for which the American Dr Roger Sperry was awarded a Nobel Prize eight years ago. He and his colleagues found that the left-hand and right-hand halves of the topmost part of the brain - which is far more developed in humans than in almost all other creatures — essentially have different functions.

In rough terms, the right half typically deals with complex things as wholes. Confronted with a complex of evidence, it builds the details into a rounded picture much as the eye takes in a landscape. The right side is thought to underpin artistic

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and other "synthesising" work such as engineering

design and the like.
The left half's role is to break down the complex into various component parts and sort them into rational order. The left-hand side usually governs analytical, step-bystep activities as exemplified by mathmatics and writing grammatical prose.

Although that much may seem pretty clear cut, the implications for individuals' careers are the opposite.

One snag is that it is not easy for people to find out how their brains operate. Hitherto, the only method known to the Jobs column was to get yourself wired up to an electroencephalograph, or EEG, which displays the patterns of electrical activity going on between the ears.

Another complication is that, if you do find out, the

result can be startling. For example, having written prose for a living for 30 years and being good at logical problems, I always assumed I was a left-brain operator. But as I reported on July 5, the EEG I was wired to showed that most of the activity was

What is more, even if you know your pattern, there remains the problem of what it might mean in practice. After discovering mine, I

asked several psychologists and such about its likely meaning. Their responses were typified by the reply of Professor Hans Eysenck.

He said that, unless our brains were badly damaged, the two halves were closely connected and seemingly good at taking over the other's original functions. So which side was electrically the more active probably had little effect in everyday life.

#### Differences

Then out of the blue the other day, I heard about Ned Hermann who profoundly disagrees. A former chief of management education for the US General Electric group and now heading his own consultancy, he thinks that differences in the ways our brains operate strongly influence not only what work we are fitted for, but how we best learn. And he has developed a questionnaire to identify people's operating

Over the past dozen years it has been completed by well over half a million men and women, and has so far stood up to the statistical checks used to validate personality tests and so on. But the results have persuaded him that what influences our

operations is not just whether we make more use of the left or of the right side of the top layer of our brain controlling cerebral activities like imagining and thinking. We are also influenced by the relative use we make of the left or the right of the more primeval lower brain, which controls different types of gut feelings.

Mr Hermann's scheme can be pictured by imagining yourself looking at your brain from behind, seeing it as a circular compass card.
The top left, or north-west
quadrant deals with step-bystep analytical thinking. The
lower south-west section is

responsible for a sense of proper order and tradition. The top right, north-east quadrant handles visionary and otherwise innovative thinking. The south-east section below is responsible for emotions about other people, musical sensitivity and spiritual feelings.

He says their different effects on our working habits are best illustrated by the typical behaviour of people dominated by just one of the quadrants, even though his results show such people are rare. The great majority are governed by a combination of two, three or even all four. North-west dominated folk

work by applying logic to

what they perceive as facts. Faced with a challenge, they calculate the chances of success and if they are too low, refuse to move. Otherwise, they figure out the most efficient method of tackling the task, tending to discount the importance of

human feelings, boredom, fatigue, hankerings for peauty and so on. Indeed, they tend to avoid emotion altogether.
The south-west governed are also unemotional, logical and, in their view, factual. But whereas a north-west person's test of whether something is feasible is whether a formula can be devised for doing it, their test

is simply whether it has been safely done before. Their prime urge is to keep what is going on under their control. Natives of both those quadrants to the left of the north-south division tend to prefer digital watches and feel energetic in the day.

Of the two sets to the right of the division, the north-east dominated take their own original approach to everything. One drawback is that their proposals for action are often so visionary that their fellow humans cannot understand what they are on about. A second is that that they tend to be too involved in what they themselves are doing to register other people's feelings. They feel energetic at night, and

prefer watches with hands. So do south-easterners, although their times of high energy are variable. They have no patience with logic or theory; experience is all that counts. They are acutely sensitive to other people's feelings and instantly aware of change in atmosphere and mood. But while practical in that way, they are the reverse when dealing with facts, goals, money and time.

As an ad-hoc test of Ned

Hermann's brainchild, I and three FT colleagues have completed his questionnaire. Every one of us feels that the resulting profile is a fairly accurate reflection of the

way we individually work. In three cases, the patterns are much alike. They indicate that the trio are whole-brained in the sense that they use all four quadrants in balance, just as

a good journalist should.
The other, who happens to
be the Jobs column, is stroing in the logical and fellow-feeling quadrants, and more so in the visionary northeast, albeit weak in the orderly south-west. But while, unlike my colleagues, I am only three-quarter-brained, that's better than being a half-wit at least.

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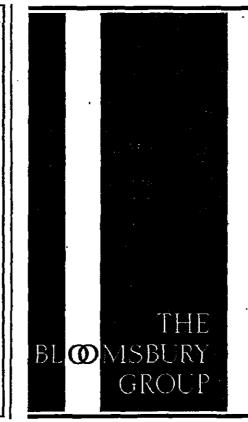
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# **COMPANY NOTICES**

De Beers Consolidated Mines Limited

NOTICE OF DIVIDENDS DECLARED ON PREFERENCE SHAPES 2. 167 QN T

holders of the 40 per cent cumulative preference shares registered in the books of the Company at the close of business on 29th December 1989, and to persons presenting coupon No. 181 detached from the preference share warrants to bearer. A notice regarding payment of dividends on coupon No. 181 detached from share warrants to bearer will be published in the press by the London Secretaries of the Company on or about 22nd

The effective rate of non-resident shareholders' tax is 13.50 per cent. The dwidends are payable subject to conditions which can be inspected at the head office and London office of the Company and also at the Company's transfer offices in Johannesburg and the United Kingdom.

Transfer Secretarios: Consolidated Share Registrars Limited First Floor, Edura 40 Commissioner Street Johannesburg 2001 (PO Box 61051 Marshatitown 2107) Barclays Registrars Limited

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Company at the close of business on 29th December 1989.

For the purpose of these dividends the preference share transfer registers and registers of members will be closed from 30th December 1989 to 12th January 1990, both days inclusive, and warrants will be posted from the Johannesburg and United Kingdom transfer offices on or about 6th February 1989. Registered shareholders paid by the United Kingdom Registrars will receive their dividend in United Kingdom currency converted at the rate of exchange applicable on 2nd Jenuary 1990, less appropriate taxes. Any such shareholders may, however, elect to be peid in South African currency, provided that the request is received at the Company's transfer offices in Johannesburg or the United Kingdom on or before 29th December 1989.

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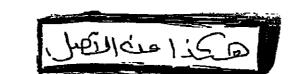
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#### **ACCOUNTANCY COLUMN**

# Clash over how far auditors' liability goes

By Richard Fleck

FEW WOULD question the importance of the statutory audit as a means of ensuring that shareholders in a public limited company, together with many others, receive reliable financial information. Indeed, Lord Justice Ringham in delivering the Justice Bingham, in delivering the principle judgment of the Court of Appeal in Caparo Industries plc v Dickman (1989) 2 WLR 316, described an auditor's role as being "without

close analogy."

Nevertheless, he concluded that an auditor's duty of care in law, and therefore potential liability in tort, extended to the company's sharehold-ers, but did not extend to potential

investors in the company.

Such a restrictive approach to the scope of auditors' potential liability, which has just been the subject of argument on appeal to the House of Lords, reflects the long-held concern of the courts over the increased expo-sure of the professional to negligence actions. A much quoted expression is actions. A much quoted expression is that such exposure represents "a lia-bility in an indeterminate amount, for an indeterminate time and to an inde-

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The decision in Caparo comes at a time when claims in the UK against professionals and particularly against auditors are increasing. That has been attributed to a period of judicial expansion of the law of negligence, the increasing completity of expansion. the increasing complexity of commer-cial matters and a general readiness

The trend has raised concerns about the availability of professional indemnity insurance and, therefore, the cost, and possibly the quality, of

audit services. Those concerns led the Government to set up a fact-finding team under the auspices of Professor Andrew Likierman of the London Business School.

The Likierman Report, which was published last month, focused on the position in the auditing, building ser-

vices and surveying professions.
However, although there is a common concern and recognition of the importance of the issues raised, it appears that the courts and the Government are embarking on signifi-cantly different paths in their attempts to deal with the matter.

The courts' response has been to limit the scope of the legal duty of care owed to third parties. In order for there to be a legal duty of care, the courts have held that three elements must be present: fore-seeability; proximity; and that it must be just and equitable to impose a duty

For many years that familiar set of requirements has allowed an expansion in the duty of care owed by professionals, including auditors — in J. R. B. Fasteners Limited v Marks Bloom (1981) 3 All ER 289, for example, an auditor was held to owe a duty of care to a third party who purchased the company in reliance upon the audit opinion.

More recently, a restrictive approach has taken hold, beginning with the Privy Council decision in Yuen Kun Yeu v Attorney General of Hong Kong (1987) 3 WLR 776 and cul-minating (so far as the accounting profession is concerned) in the deci-sion of the Court of Appeal in Caparo.

The effect has been to emphasise the need for "proximity" — ie, a close and direct relationship between the auditor and the third party relying on the auditor's work — before a duty of care will be found to exist. Given that emphasis, it has been possible for the courts to find that no duty of care was quences.

Pixley (1989) 3 All ER 361). By contrast, the Government has favoured the cause of a wide duty of care and Mr John Redwood, Minister for Corporate Affairs, has said that the Government is concerned not to "limit legal redress in the rare cases

owed by auditors to potential inves-

tors (Caparo) or to the company's creditors (Al Saudi Banque v Clarke

In making that statement, the min-ister rejected a recommendation in the Likierman Report that Section 310 of the Companies Act, 1985, should be amended to permit auditors to limit their liability to a given amount. However, three other recommenda-tions in the Likierman Report may give rise to legislative change in the future - albeit at some indeterminate time in the future!

The first concerns the principle of joint and several liability, by which each one of any number of responsible wrongdoers will be liable for the full amount of any resulting loss, regardless of their relative degrees of fault or responsibility.

The theoretical remedy of contribution proceedings frequently proves illusory, because other wrongdoers may not have the necessary financial resources or because of difficulties of proof. The Government is considering

asking the Law Commission to examine a possible change in the operation of that principle, although it is cor-rectly appreciated that any change would have far reaching conse-

The second concerns a related point, namely that the law should be clarified to allow (and possibly encourage) companies to purchase insurance for their directors and offi-

The third concerns those cases where the auditor may be able to show that the plaintiff has, through his own negligence, contributed to the loss suffered. The Likierman Report recommends that there be legislative change to make clear (to the extent the courts have not already made clear) that such contributory negligence by a plaintiff may reduce his award of damages, irrespective of whether the case is brought in con-

The House of Lords, when it gives judgment on the appeal in Caparo, will not consider any of those issues, constrained as it is by both precedent and principle. The House of Lords is likely to confirm the basic approach of the Court of Appeal and limit the auditors' duty to only a few classes of

interested persons.

In doing so, it would confirm an approach that does not reflect commercial reality — many in the business and financial community do rely on a company's accounts both directly and indirectly. and indirectly.

To the accounting profession, that may seem to be a relief; but that relief will be short-lived, as such a decision will still not avoid the risk to the

profession of very large claims.

If the House of Lords reaches such decision, then the Government will be in clear conflict with the courts the Government in taking the position that auditors should continue to face unlimited liability to any interested claimant; the courts, concerned at the implication of such indeterminate liability, in taking a restrictive

The only solution that would bal-ance those conflicting views would be to permit an auditor to agree a rea-sonable limit to his liability with each

company he audits.
Such a reform would "put the audit contract on the same footing as other contracts," and it would also offer the best prospect of achieving, through bilateral negotiations, fair and reasonable limits to exposure (and, in turn, the cost of indemnity insurance).

Moreover, consistent with the Gov-ernment's stated objectives, it would permit legal redress for a wide range of users of financial reports and be consistent with the indisputable reality of commercial life that there are many groups, beyond the company's shareholders, that have genuine and legitimate interests in the reliability of published financial information.

Finally, such a reform would have the benefit of meeting the profession's concerns and provide a means of limiting the auditor's exposure to claims that are presently indeterminate, minsurable and therefore unmanage-

The author is a partner in Herbert

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# **Financial Controller**

#### Crawley, West Sussex

Our client, Steels Aviation Services Ltd., has developed an enviable reputation for providing high quality in-flight catering services to many national and international airlines and is poised for significant growth in the future. With operations at eight of the main airports in the UK, turnover is presently in excess of £50

million and the company employs some 1,800 people. Reporting to the Deputy Managing Director, the Financial Controller will assume overall responsibility for the finance function of the company, and a key task will be the development of strong internal control

#### c.£32.000 + bonus + car

To be considered for this position, which offers excellent career development prospects, you will be a qualified accountant with well developed management skills. You will be comfortable in a fast-moving serviceorientated environment and experienced in multi-site

Please send brief personal and career details quoting reference F/890/F to Frances A. Bell, Ernst & Young Search and Selection, Becket House, 1 Lambeth Palace Road, London SE1 7EU.

# Ernst & Young

# Financial Controller

Woking

Andreas Still Ltd is the UK subsidiary of the highly respected, West German based, power tool business. Market leaders in quality and technology, Stihl operates in 130 countries. In the UK, the company is growing rapidly, developing its nationwide marketing and distribution networks and expanding its

Reporting to the Managing Director, you will be involved in all aspects of the business — managing the finance function; contributing to detailed strategic planning; liaising with customers and distributors; and developing systems to keep pace with the expansion of the business. You will also be responsible for the company secretarial and personnel functions.

You will be a commercially astute Qualified Accountant, with excellent communication skills and a strong but open management style: Experience should have been gained in a c £35,000 + bonus

marketing and distribution environment and must include good exposure to computer systems. Familiarity with dealership networks and some knowledge of German would

Please send full personal and career details, including daytime telephone number, in confidence to Paula Hauratty, Executive Selection Group, Deloitte Haskins & Sells, PO Box 198, 26 Old Bailey, London EC4M 7PL, quoting reference 5332/FT on both envelope and letter

**FXECUTIVE SELECTION** 

Join a Winning Team

Northampton Excellent Negotiable Salary+Car+Bonus

TNT EXPRESS INTERNATIONAL UK are the leading force in European parcel and freight distribution. Providing first class services to an established, comprehensive customer base of large conglomerates and numerous individual customers, the Group are pioneers in the provision of overnight air delivery throughout Europe giving them a significant edge over the competition. With an impressive record of rapid growth, the Group are well placed for further business development.

TINT EXPRESS INTERNATIONAL UK now seeks to appoint a Financial Controller to play a critical role in their on-going success

The role carries responsibility for the co-ordination, planning and direction of the financial activities of the Group, with the objective of maximising the contribution of financial reporting and control to business planning, day-to-day management, strategic thrust and profit performance. Of significant importance will be the production of weekly and monthly reports to a strict timetable and

to exacting standards.

To succeed in this role you will be a highly motivated, young Chartered Accountant with the desire to succeed in a fast moving, results orientated environment.

To find out about this exciting opportunity, please telephone Steven French on 021-233 1666, or alternatively, write to him with a full curriculum vitae quoting reference B/241/89.

## **KPMG** Peat Marwick McLintock **Executive Selection**

Peat House, 2 Cornwall Street, Birmingham B3 2DL

#### ST HILDA'S COLLEGE, **OXFORD Appointment** of Treasurer

Applications are invited from men and women with accountancy qualifications for the full-time post of Treasurer in this women's college from 1st February (or as soon after as possible) to be responsible to the Governing Body for financial planning and control. Full particulars should be obtained from the Principal, St Hilda's College, Oxford OX4 1DY, to whom applications (8 copies) should be submitted by 5th January.

# Company Secretary

London W1 · to £30,000

of on-line information and trading services for international companies, our client's business is growing fast in a dynamic environment. Expansion in the UK and overseas provides the opportunity for a versatile Company Secretary to join the Group.

Reporting to the Finance Director, you will be responsible not only for the Group Secretarial function but also for other financial management and administrative tasks including taxation and business development assignments involving senior management exposure.

You will be qualified, probably as an Accountant, Secretary or Lawyer, but with at least 5 years' experience in a

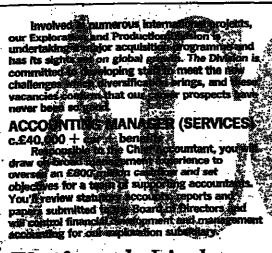
Providing a computerised network | similar role. Knowledge of computer spreadsheets is desirable

You must be able to demonstrate initiative, good interpersonal and communication skills, organisational ability and an analytical approach to problem-solving.

There is career potential for an enthusiastic and adaptable individual who can meet the challenge of this new

Please telephone or write, in strict confidence, enclosing CV giving present salary and with details showing your relevance to this position, to Colin J. Hooker FCA, quoting ref: 480.

DBA Associates Limited, Clerks' Well House, 19 Britton Street, London ECIM 5NQ. Tel: (01) 250 0003



Assertantial post-qualification experience is considerable. Select within the oil industry, and you will need initiative, great communication stills and lang-term plaining stillity to succeed in this key called Reference E&P/10197/103/FT.

FINANCIAL ACCOUNTANY

FI

commercia or implistry is required; has preparation of statutory accounts for medican/ large companies. The ability to meet instrovable deadlines is prerequisite. deadlines is prerequisite. Reference: E&P/00352/013/FT

OIL TAXATION ACCOUNTANT c.£35,000 + car + benefits
You will be involved in compliance work

relating to petroleum tax and tax planning, dealing with sume currently in the region of £65 million but set to grow retriedly. The timely and accurate completion of tax returns and records will be your responsibility, as will the mitigation of tax liabilities. Lisison with the Ot Taxation Office and high-level reconciliation work will be an important aspect of the role. You will be at ACA or ACCA, with at least five

designate is essential, and you should have an analytical and thereugh approach.

Reference: E&P/00313/013/FT. MANAGEMENT ACCOUNTANT

c.£30,000 + car | benefits

C.£30,000 + car | benefits

Your major tasks include supervising the production of logular fluencial planning and monitoring reports, and improving report design information collection and processing. You will lead a team which prepared inputs to the design.

Several years' post-qualification experience needed, and you should have good communication skills, supervisory ability and a high degree of self-motivation.

Reference: E&P/00320/013/FT...

qualified Financial and Management Accountants at various levels. Please write to the Personnel Department for more information.

In addition to generous salaries, we offer the usual range of large company benefits including pension, profit sharing and sharesave schemes, 30 days holiday and relocation assistance if appropriate for our central London location.

off you would like to join us at this vital stage in you would me to join us at one year stage in your development, please write with full career details, quoting the appropriate reference, to Alson Atkinson, Personnel Department, Exploration and Production, British Gas plc, 59 thranston Street, London WIA ZAZ. Closing date for receipt of applications 14 December 1989.

An equal opportunity employer

**British Gas** 

The force behind our global development programme

#### **Expanding International Group**

# **HEAD OFFICE ROLE**

Search and Selection Specialists

Financial Management



#### Central London

Qui client, a market leader in its field, manufactures and distributes FMCG related products both Internationally and in the UK. Currently poised for major expansion, as new overseas markets are entered and new products are launched into existing markets, it is now seeking a young qualified accountant (28-35) to strengthen its flead Office team.

Reporting to and departising for the Group Fina Controller this role is key to the production of information for the Group Board and Shareholders.

- Managing and motivating a small team of staff you be responsible for:
- Group and statutory account
- tionships with external advi

#### £33-38,000 + car + relocation

- Listing with Finance Directors throughout the Group to ensure an efficient flow of information
- Enhancement of Head Office finance systems and

To succeed in this demanding environment you will need to combine good technical, communication and motivation skills, with the flexibility to be able to respond to the wide variety of pressures involved in a rapid growth environment.

Previous experience within a multi-cur environment and a good working knowledge of PC

viduals interested in this positi in the first instance write to Karen Wilson at FMS, 14 Cork Street, London WIX 1PF, enclosis recent CV and a note of their current salary.

Central London

of contracts with clients.

# Financial Controller

#### Wimbledon

Our client is one of the largest divisions of a substantial PLC which provides a specialised range of services to industry and the consumer.

Following a promotion to the Board, we are now recruiting, as Financial Controller, a qualified accountant (probably ACA) in his/her early 30's. Your role will be wide-ranging and cover all aspects of financial and resource management in an environment where much change will continue to take place, and where increased market

#### To £35,000 plus car etc

share will have to be fought for. Terms will include a fully expensed car, as well as bonus and options which will be geared to performance.

interested candidates should submit their CV's in total confidence to Peter Wilson, Director, at Management **Appointments Limited (Executive Search** and Selection Consultants), Finland House, 56 Haymarket, London SW1Y 4RN. Tel 01-930 6314.

c£37,000 + Car

MANAG

Commercial

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# ACCOUNTANTS

# SPEARHEAD THE START-UP OF **AN EXCITING BUSINESS**

# c. £30k+car+benefits London

e are about to launch an exciting breakthrough in communications. Over the next decade over £1bn will be invested in a new, customer oriented, high quality and competitively priced mobile communications network.

We seek two professionally qualified Accountants to join our start-up team, reporting to the Financial Director. Aged 28-35, you will have experience gained in a large or medium-sized organisation. Experience of, or interest in, the problems of rapid growth will be essential.

#### MANAGEMENT ACCOUNTANT

You will set up all management accounting operations, adapting policies and procedures to our needs and building and developing a small team to provide a pro-active and constructive information service for management. Reference 5297.

#### FINANCIAL ACCOUNTANT

You will prepare statutory accounts, provide the interface with auditors, compile the fixed asset register, and provide liaison with project management. Reference 5298.

Career prospects are exceptional within an organisation whose expansion plans are truly remarkable. Please contact Brian Davies on 01-436 7671, or write to him at Stafford Long & Partners Recruitment Limited, 17/19 Foley Street, London WIP 7LH, quoting the appropriate

reference number.



# **Group Tax Manager**

ROBERT • WALTERS • ASSOCIATES

RECRUITMENT CONSULTANTS

**MARKETING** 

personal ability.

#### Central London

Continued growth and restructuring has created an exceptional

opportunity in a leading international communications group.

controls of a group of subsidiaries in a growing market sector.

The Finance Director will focus on the enhancement of the financial

Reporting to the Chief Executive, the principal responsibilities will

function. This will include all aspects of financial and management

reporting, business planning, systems development and the negotiation

comprise the co-ordination and management of a small finance

This substantial international group has diverse

property development.

The Group Tax Manager will be responsible for the group's tax affairs both in the fields of planning and compliance. Liaison with tax consultants in specialised fields and in the overseas subsidiaries is expected. The present manager is due to retire during 1990.

Applicants must be suitably qualified and should be aged around 40, with considerable tax experience

#### to £40,000 + Car. etc.

The successful candidate will be a qualified accountant, aged 28-35,

with broad commercial experience. A practical and mature approach to

business issues and the enthusiasm and ability to contribute to a small

Progression within this prestigious organisation will only be limited by

Interested applicants should telephone Giles Daubeney on 01-437 0464

and highly committed team are essential prerequisites. A hands-on

approach and excellent interpersonal skills are also desirable.

or write to him, enclosing a detailed CV, at the address below.

gained perhaps as the number two in a substantial ability must be matched by good business awareness.

A personable, enthusiastic executive with a welldeveloped sense of communicative skills is sought. Please send your curriculum vitae, including current salary and daytime telephone number, quoting reference N1009 to Michael Ping, Grant Thornton Management Consultants, Grant Thornton Money, Melton Street, Euston Square,

# London NW1 2EP.

MANAGEMENT CONSULTANTS

## MERCURY PERSONAL COMMUNICATIONS

# Financial Directors

To secure the best appointments at senior level needs more than good advice, accurate career objectives and succinct presentation. InterExec not only provides career advice to successful executives but also

retains the unique facility of our subsidiary company InterMex to bridge the critical gap between counselling and the right job. InterMex maintains a unique data base of some 6,000 unadvertised vacancies per annum, providing the only confidential Inplacement \* Service. If you are considering a move or need a new challenge then telephone (01-930 5041) for an exploratory meeting without obligation.

InterExec Plc

Landseer House, 19 Charing Cross Road, LONDON WC2H 0ES.



# Senior Financial Managers

# Finance Managers

London & S.East

c£35,000 + car

Major UK service-based group seeks two potential controllers, who will join to assist the financial controllers of key profit centres to bring disciplines, systems and information up to modern standards following a broad-based restructuring programme. There are massive opportunities for personal contribution to profitability, asset management and efficiency.

Candidates should be qualified accountants aged over 30 with sophisticated financial and/or management accounting experience with computer support, in a demanding big company environment, service or industrial. They must have people management skills and commercial attitudes. Longer term prospects exist throughout

For fuller details, write to John Courtis FCA at IC&P. 104 Marylebone Lane, London W1M 5FU demonstrating your relevance clearly, including CV and salary data and quoting 7220/FT



#### **APPOINTMENTS ADVERTISING**

Appears every Wednesday and Thursday

> For further information call

01-873 3000

Nicholas Baker ext 3351

Deirdre **McCarthy** ext 4177

Elizabeth Arthur ext 3694

# Senior Finance Officer

Our Client is a very large engineering and construction group undertaking multi-million pound projects. They will shortly have a vacancy for a senior member of staff with high technical skills in accountancy and finance.

The post is in South East England and encompasses responsibility for all the usual finance activities associated with the management of a large project. These include leading a dedicated team dealing with financial accounting, management accounting, cash management, taxation and payroll. Annual turnover is in the region of £500m.

The successful candidate should be capable of operating at the highest levels of the Company. He/She should preferably be accustomed to working within the

terms and conditions of a major engineering and construction project. The position requires an experienced professional, with good organisational skills. Knowledge of French would be useful but is not essential. The post offers an attractive salary with a generous range of benefits, including a fully expensed executive car, assistance with relocation and the normal pension and sick pay schemes.

Please send a curriculum vitae. in confidence with details of current salary, quoting ref: 767, to: Beverley Langley, The Scott Edgar Advertising Partnership Ltd, Recruitment Division. 52 Bedford Row. London WC1R 4LR. Telephone: 01-831 2981.

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# SENIOR FINANCE EXECUTIVE

# **Expanding Professional Services Firm**

#### Berkshire

Our client is a well established, highly successful partnership which has already achieved remarkable growth. The firm is UK based with regional offices and operations worldwide. A key aspect of the growth strategy includes incorporation early in 1990.

To accommodate the changing demands of the firm, the Finance Director needs an experienced finance executive to assist in managing the financial and commercial aspects of the business whilst taking full responsibility for financial control on a day-to-day basis and effecting a realistic improvement in financial management. Additional involvement will include acquisition evaluations and enhancements

#### to £35,000 + bonus + car

to the computerised financial information systems related to the planned incorporation and continued growth

Applicants will be experienced qualified accountants who have managed a finance function in an organisation experiencing rapid change and can demonstrate sound commercial acumen. The appointee will be a confident, strong personality with presence and the ability to operate effectively in leading an intellectually challenging and creative team of professionals.

Please write in confidence, enclosing full career details, to Anne Routledge, quoting reference 2879.

# **KPMG** Peat Marwick McLintock

Executive Selection and Search 70 Fleet Street, London EC4Y 1EU

# SENIOR MANAGEMENT ACCOUNTANT

Commercial role with a Leading UK Group

**North Hampshire** 

To &27,000 + Car + Benefits

With global sales now exceeding £1,000 million per armum our client is world leader in the manufacture and marketing of high quality office and business products. First rate financial management has been an important factor in

The company is now looking to strengthen further the UK Sales and Marketing organisation by the addition of a Senior agement Accountant. As a key member of the team, the role will be to provide financial guidance and support to the management of a 2200 million turnover business group which sells some of the Company's most successful products. This will include the provision of mning, budgeting, forecasting and magement information as well as ad hoc

analysis and systems development The scope of this position will provide involvement in commercial decisions and the opportunity to make a positive contribution to the development of the business. Career

prospects are excellent.

Our preferred candidates will be qualified accountants, aged 26-33, with management accounting experience in industry or commerce. Strong analytical skills and the ability to interface effectively at a senior level

To apply, or to know more, please write in confidence to Sue Rossiter, enclosing a CV and current salary details. Alternatively please telephone her on 0628 75956. Quote reference 613.

MKA EXECUTIVE SEARCH AND SELECTION LIMITED MKA House King Street Maidenheag Berks SE6 1EF Telephone: (0628) 75956 Fax: (0628, 774065

# GROUP CONSULTANT

# Manufacturing costing and **Control systems**

Surrey

c £30K + car

A need has arisen to strengthen the highly skilled head office team within this diverse industrial group which maintains its high level of growth (t/o \$280M) through a policy of organic development of products and markets and a selective acquisition programme.

Initial responsibility will involve the complete overhaul of the existing manufacturing costing systems, and the development thereof, within one of their largest subsidiaries. Longer term there is a need to investigate systems and control procedures within other group companies in order to provide guidance and support in continually improving and maintaining the highest standards of costing control and management reporting.

Engible candidates will be qualified CIMA or equivalent with a strong background of experience in the installation and development of manufacturing costing systems. A degree of mobility is necessary although the base will be located in Surrey.

Applications with full CV under ref: A026 to Mrs J.S. Tucker. Mervyn Hughes International Ltd., Management Recruitment Consultants, 63 Mansell Street, London El 8AN. Tel: 01-488 4114.

# **FINANCE MANAGER**

International finance role in Oil Exploration and Production Tripoli-based, attractive expatriate remuneration and benefits package

Our client, a Vienna-based fully integrated oil company and Austria's largest industrial organisation is setting up a Branch office of its wholly owned exploration and production subsidiary to start as Operator in petroleum exploration activities in North Africa.

An experienced Finance Manager is immediately

required for this new operation.

Together with the General Manager, you will be jointly responsible for the management of the Branch office and for all commercial, administrative and financial matters. In particular, you will be responsible for financial and management accounting activities, preparation of audits and monthly and yearly financial orecasts, statements and reports.

In addition to an Honours degree you should be a qualified Chartered Accountant and must have at least 10 years post-qualifying experience, the majority of which should have been gained with an operating

exploration and production oil company. Experience of working in a 'stand-alone' Branch office environment abroad is a prerequisite. Knowledge of German, in addition to English would be an advantage.

This management position is seen as playing a vital role in the development of the Company's International exploration and production activities and for the successful candidate long term career opportunities may be available.

An attractive expatriate remuneration and benefits package is available which includes company car, free family health care and fully furnished housing. Your initial contract will be for two years and may be renewed.
To apply, please write with full CV to:
David Lloyd, SMCL Oil & Gas, Executive

Recruitment Consultants, 2 Queen Anne's Gate Buildings, Dartmouth Street, London SW1H 9BP. Telephone: 01-222 7733. Fax: 01-222 3445.

# Finance Manager

#### WEST MIDLANDS, TO £37,000 + CAR

This large, highly respected; blue chip inclustrial holding company continues to successfully develop its worldwide strategy of belog a market leader in a number of carefully selected business

in order to ensure that its investments are regularly monitored from a performance and control point of view, the need addess for a commercially orientated finance Manager to provide on operational analysis service to the on operational analysis service to the Group Chief Executive and Group Finance Director, in order to carry out the role successfully, the Finance Manager will need to liaise regularly with divisional management teams in order to ensure that the necessary

are maintained and developed. In addition, the role will encompass some rent in the usual finance functions of a busy head office.

You will be a qualified accountant of around 30 years of age, preferably a graduate, and you will probably be in either a divisional finance role or a major line tale in a blue chip arganisation at present. You will have a commercial outlook and possess first class analytical and communication.

For this position you should possess data processing implementation and development skills and it is taken as read that your copabilities on technical accounting mothers, including overseas accounting, are excellent. If would be controls over monagement information

assumed that within 2-3 years the person appointed would move into a senior line role within the group.

Résumés please, la include a daytime telephone number and an indication of present salary, to John Elliott, Coopers & Lybrand Executive Resourcing Limited, 43 Temple Row, Birmingham 82 5JT, qualing selevence JET/3.

**Executive** Resourcing & Lybrand



# Financial Executive

...a management role

Attractive package + car

Based: Essex

Our client, a subsidiary of a world player in the chemical field, is looking for a Financial Executive to Join their management

Already enjoying an enviable reputation, they plan to further strengthen their position in the UK marketplace through significant investment.

The post requires an energetic and committed team member with strong manufacturing industry experience. Additionally, a background of working in a subsidiary of a large group would be an advantage.

A qualified Accountant, either CIMA or

ACA, it is unlikely that candidates under the age of 30 will have sufficient maturity or experience to fulfill the role.

A highly competitive package is offered, including incentive scheme, executive car, BUPA, pension scheme and relocation assistance, where appropriate.

Please write with full career details, listing separately any companies to which your application should not be sent and quoting reference JH/FT/44, to: Joy Hill, MSL Advertising, 32 Aybrook Street, London W1M 3JL.

**M5L** Advertising

# **FUNDS ADMINISTRATION**

Hampshire £30-35,000 package + car and benefits

Our client is a financial services group with total assets in excess of £260 million. Continued impressive growth has resulted in the need to strengthen the funds administration and corporate treasury function, with funds under management of c.£300 million.

Your brief will be to develop and manage the funds administration service for the company's life, pensions and unit trust businesses, including the valuation, pricing and regular production of quality fund reports. This will involve the introduction of new computerised systems and the development and training of a twelve strong team.

Preferably technically qualified, you will have a relevant background within a life office or financial services company. Team building skills are essential as is the ability to develop effective relationships with portfolio managers, unit trust managers, financial intermediaries, banks and trustees. You should be innovative with the enthusiasm and business awareness to develop new services to meet changing client and market

Please write, in confidence, sending full career and current remuneration details to Bernadette Laffey quoting reference

# **KPMG** Peat Marwick McLintock

Executive Selection and Search

70 Fleet Street, London EC4Y 1EU

# Financial Controller

#### West Midlands

Our client is a multi-national corporation with a global nurnover in excess of £4 billion and is a market leader in manufacturing and marketing components for the vehicular industry.

They have successfully undertaken a major restructuring and development programme throughout the 1980s and as a consequence a challenging opportunity has arisen within one of its UK manufacturing divisions.

Reporting to the Divisional Controller, your initial. task will be to facilitate greater autonomy and accountability by restructuring the current business into distinct operating units. This will involve revamping the current management information systems.

#### £25 - 28k + Bonus + Car

Other responsibilities will include the preparation of monthly management reports, production and review of budgets and forecasts, capital appraisals and pre-acquisition investigations as the expansion programme begins to take effect.

You will be a mature individual aged 30+, a professionally qualified accountant from a hands-on manufacturing background and possess an assentive, self-confident, entreprenential nature, as success in this tole will lead to further opportunities within the group in financial or general management. Interested candidates should write, enclosing a

comprehensive curriculum vitae, to David Greenwell at Michael Page Finance, Bennetts Court, 6 Bennetts Hill, Birmingham B2 58T.

Michael Page Finance International Recruitment Consultants

London Bristol Windsor St Albans Leatherhead Birmingham Nomingham

Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

# Accounting for Professional Excellence £ Excellent + full benefits Cambridge

vital role in the provision of management and executive information services to some 20 UK offices. They now seek to appoint two key executives to spearhead this exciting project which includes a major investment in new computerised systems putting them at the leading edge of information technology into the 1990's. Our Client, a leading international professional firm is developing a new National Practice Manager

Financial Controller

To £33k Systems Accountant Reporting to the Director of Finance you will be responsible for the development and running of the department. Key tasks will include the production of sophisticated management information, financial performance analyses, strategic and operational plans for the practice and

The successful candidate will be highly numerate and possess prior experience of a line management position carrying significant staff responsibilities. Likely age indicator—30 plus.

Ref. LM 016/1

Ideally aged in your late 20's to early 30's you will have significant experience of management information systems and be accomplished in computerised systems analysis and design. responsibilities. Likely age indicator - 30 plus. These senior positions share the need for a qualified accountant possessing experience gained in a commercial or professional environment. Highly developed communicational and motivational skills are required in both cases as is the ability and determination to innovate.

Success in these roles will be rewarded with excellent career prospects. The remuneration package includes car, pension, BUPA, Life Assurance

and PHI. Full relocation assistance will be provided where necessary Interested applicants should send, in complete confidence, a detailed Curriculum Vitae including salary and daytime telephone number to Phillip Price ACA, quoting the appropriate reference, at Spicers Executive Selection, Leda House, Station Road, Cambridge, CB1 2RN.



SPICERS EXECUTIVE SELECTION



# **Continental Bank**

International **Corporate Review** 

To £30,000 +**Extensive Benefits** 

City based up to 60% travel In the complex world of International Banking, nothing stands still. In order to meet the needs of a sophisticated client base, Continental Bank has become a leader in the sale of innovative Risk Management Products.

As project manager the successful candidate will be working with a

multi-disciplinary group designing and implementing a completely new management information system. A critical feature will be a multi-application 4GL relational database effected via a system of networked

In order to maintain Continental Bank's commitment to clients and its reputation for sound management and control, further qualified personnel are required to cover the review of both European and Far Eastern branches.

All applicants will be qualified accountants, working either in the audit or review function of a leading bank, or within the financial services group of a major accountancy practice.

The Bank offers outstanding career prospects, together with an extremely attractive salary and benefits package.

For full details please contact Claire Lockey on 01-831 1101 (evenings 01-671 9925), or send a detailed CV to the address below. The strictest confidentiality is assured.

the Tleet partnership

To £30k

Financial Recruitment Consultants, 37/41 Bedford Row, London WC1R 4JH. 01-831 1101 (24 hours)

NR GATWICK'.

£27,000 + Car

Controller-Management Accounts This large manufacturing subsidiary of a deservedly famous industrial group offers an important opportunity. Providing management information through leadership of a large department, you will exert tremendous influence on large scale business planning and co-ordinate all costing and management accounting for three separate production sites. The successful candidate would be an obvious successor for U.K. Controllership, and consequently a senior executive package will be offered. Ref: 581810AZ

Contact the Manager: 19 Broadwalk Crawley 0293 547762 Fax: 0293 548182

ESSER

Cambridge

£26,000 + Car

**Management Accounting Executive** This autonomous business, within a multi-faceted holding company, operates in a competitive hightechnology environment. With twenty staff directly under your control, the role offers unlimited scope in the development of leadership skills, co-ordinating the production of company financial planning and analysis. With direct responsibility for producing the five year strategic business plan, there is also substantial influence over change. Relocation expenses could be part of the attractive benefits package. Ref: 571711C2

Contact the Manager: 148 High Street Southend 0702 615371 Fax: 0702 619003

OT Search maintains a register of very senior financial managers seeking appointments within the £35,000 – £100,000 salary range. Personal confidentiality is guaranteed as all QT Search applicants are the responsibility of a Reed Executive plc main board director. We welcome registrants for the above appointments and for other non-advertised career opportunities.

Reed actively promotes Equal Opportunities. **X8** 

**NEWLY QUALIFIED ASSISTANT GROUP ACCOUNTANT** GIBRALTAR SALARY £23,000 p.a.

+ CAR + BENEFITS

Required for fast growing group of companies, duties will include preparation of monthly accounts and cash flow statements.

Write in first instance to Andrew Higgins, Peat Marwick McLintock, 7 Tib Lane, Manchester M2 6DS

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· Waterseas, enquire about our Executive Exact Service. Connaught Mainlana

#### Financial Controller (Director Designate)

Our client is an expanding medium sized group whose major interests are in property development, architecture and construction. Their considerable success has been based on a totally new approach to the commercial property marketplace. They now seek to appoint a Financial Controller to be a righthand person to the Managing

Your broad area of responsibility will include the control of an established accounts department, preparation of group accounts, development funding, systems control, provision of timely reports and liaising with group bankers.

As a qualified accountant (under40), you are looking for a position which will allow you to influence the direction of the group and shape your own future. Hence a strong personal presence, resillence, high-level communication and leadership skills are essential.

Please write in complete confidence enclosing career details to Charles Davenport quoting reference CED/2790.



# Financial Director (Designate)

Surrey/Kent Border £35,000 + Bonus and Car

Our client is a supplier of food products to Blue Chip companies and has enjoyed 100% growth for five successive years. Future plans include a possible flotation and turnover is currently in excess of £10m.

As a key member of a highly motivated management team you will be expected to make a significant contribution in driving forward the determine in air ving for water and performance of the business, determine financial objectives and be instrumental in the planning process. Initial requirements will include involvement in acquisitions, capital investment projects and development of timely accounting and information systems.

Candidates abould be qualified accountants, age indicator 35-45, able to demonstrate proven commercial

acumen as well as sound technical skills preferably gained in a f.m.c.g. environment. The person should have an enthusiastic and hands on

The attractive remuneration includes a performance related bonus and relocation expenses if applicable. Please telephone or write enclosing full curriculum vitae quoting ref: 349 to: Nigel Hopkins FCA, 97 Jermyn Street, London SW1Y 6JE Tel: 01-839 4572

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There will be every opportunity for career progression within the medium term.

Please contact D. E. Shribman for further information or write tohim at the address below.



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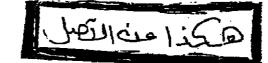
National Car Parks Limited, a private limited company with diverse business interests, is seeking to recruit a Financial Controller, who will be responsible to the Director of Finance and Administration for all accounting functions.

The successful candidate will be a computer literate chartered accountant with post qualification experience outside the profession, preferably in service industries; will possess good interpersonnal skills and will be used to managing people.

The remumeration package includes an executive car and the other benefits expected of a major employer, and the company has its main offices in the West End of London.

Applicants should send a comprehensive CV including details of their current remuneration package to:

R W Leese Personnel Manager National Car Parks Limited



# Management Accountant

c.£28,000 + Car

This £300m ternover services organisation controls a prime niche in the telecommunications sector. Management is setting new standards of performance, efficiency and cost-effectiveness for the 1990's, with strong inancial support fundamental to achieving their aims.

Each major operating unit will be provided with the dedicated resource for a full financial management service. As Management Accountant you will take immediate responsibility for budgets and performance reports, management information systems and their development, product pricing and cost analysis, and close financial control. An understanding and enthusiasm for the commercial detail of this diversified business operation should establish an

The role demands a qualified accountant with sound management accounting experience and the confidence for innovation. Articulate and personable you must be capable of presenting with assurance and clarity to non-finance staff. Heavily computerised systems will provide the PC literate with ample scope and support. Future career progression for an able and effective finance manager will not be a problem.

Location: Central London.

Please reply in confidence, or telephone for further details, quoting ref

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**Bristol** 

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# Group Chief Accountant

Central London

c £42,000 + benefits

With an asset base of several billion pounds, and operating throughout England and Wales, this capital intensive organisation is now entering a period of demanding and exciting commercial development. Strong financial and business control will provide a major contribution to future growth and success.

Reporting to Senior Management, the Group Chief Accountant for this major pk, will establish high quality reporting mechanisms enabling management to ensure tight financial control. Assisted by a staff of 23, key responsibilities will include all Group accounting, production of statutory accounts, and

You will be a Qualified Accountant, ideally trained by a large professional firm, with several years' rigorous experience of key group accounting roles for a major industrial plc. Technical excellence must be combined with good management and communication skills, and experience of Annual Reports, Stock Exchange and US requirements. Knowledge of corporate finance and structuring will be an asset.

Please send full personal and career details in confidence to Mark Spickett, Executive Selection Group, Deloitte Haskins & Sells, PO Box 198, 26 Old Balley, London EC4M 7PL, quoting reference 5315/FT on both envelope

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**FXECUTIVE SELECTION** 

# **EUROPEAN FINANCIAL CONTROLLER**

An International opportunity for an Accountant with flair

c. £35k + car + benefits Netherlands based Our client is a large British multi-national food group with an im-

pressive record of growth, both within the U.K. and overseas. As part of its planned penetration of the European market, it now seeks a professional financial controller for its recently established seems a protessional manifest controller for its recently established filed million turnover cereals trading operations, in South West Holland and Belgium. Reporting to the U.K. Finance Director and as a key member of the local management team, the successful candidate will be responsible for all aspects of financial management and administration. This includes:

- The provision of accurate and timely financial and management information to the U.K. for operations in Belgium and Holland.
- The co-ordination and application of group financial policy between the U.K. and the continent.
- The financial management of trading control systems for the Datch and Belgian offices.
- \* Contributing to the commercial management and growth of the

To operate successfully, this high profile role requires:

- \* A professionally qualified accountant in the age range of 30
- The ability to communicate fluently and effectively in Dutch and English.
- \* A high degree of self motivation and professionalism.
- The commitment to work to tight deadlines effectively and

If you possess the necessary experience, language skills and potential to succeed in a fast growing environment, please send a full Curriculum Vitae, including current remuneration, in confidence to:

Stephen Jandrell, Director, Baker Tilly Management Consultants, 22-24 The Courtyards, Croxley Centre, Hatters Lane, Watford, Herts WDI SRR.

# **GROUP FINANCE DIRECTOR** PINDAR GROUP OF COMPANIES

Yorkshire Coast c. £45,000 + Bonus + Executive Car

Our client is the Pindar Group of companies, a long established privately owned group with a well deserved reputation for innovation and quality in the field of information processing and printing services. Their headquarters are in Scarborough and the operating companies are located throughout the U.K. These companies specialise in printing, typesetting, graphic design and associated services for prestigious international clients. Current turnover is over

The board have ambitious development plans to continue their record of growth, both organic and by acquisition. They now wish to appoint a group finance director who will bring strategic financial direction to the business during the next decade. The role will encompass full responsibility for the finance function with particular emphasis on the performance evaluation of operating companies and the development of advanced management

City Square House, 7 Wellington Street, Leeds LS1 4DW.

information systems. As a key member of the board, the finance director will be actively involved in major decisions.

The requirement is for an experienced, energetic and assertive individual who will rapidly earn the respect of colleagues. Applicants must therefore be suitably qualified and demonstrate a track record of success with growing, professionally managed companies. Previous board level experience will be an

An attractive negotiable package of benefits is offered including full relocation assistance to the Scarborough area.

Please reply in confidence, providing a detailed career history and quoting reference L/951 to Christopher Walkington, Executive Selection Division.

# DIVISIONAL CHIEF ACCOUNTANT

# **Commercial Property and Leisure Enterprises**

Central London

With a net worth of over £125m, this highly regarded private PLC has substantially accelerated its profitable growth record in the late eighties, through an incre emphasis on property development and investment. Although long established in the leisure sector, more than 70% of these assets derive from the property division.

The need for this new post results from both business growth and the demands of taxation planning and compliance. As a senior member of the Group's financial management team, the appointee will be principally responsible for supervising the accounts and management reports of the property division, the review and control of significant development projects, and monitoring VAT and Corporation Tax compliance. There will also be broad involvement in other Group to £30,000 + Car

The Group's management operate as a very closely knit team. Applicants should be graduates and/or qualified accountants with appropriate technical skills and aptitudes, ideally with around three years' experience in the property development sector. Essential personal qualities are a commercial outlook plus a temperament and style which is well attuned to both membership of a small central group and liaison with senior management in trading

This appointment offers excellent prospects for personal development as the Group has a tradition of attracting managers who make a long term contribution to its

Please write, in confidence, enclosing full career history and daytime/home telephone numbers, to Mike Blanckenhagen quoting reference T5029.

# **KPMG** Peat Marwick McLintock

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# Peat Marwick McLintock **Executive Selection and Search**

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Our Client is a well established, highly successful Group within the cosmetics industry. With a turnover exceeding £100m and 15 operating units worldwide, the company offers a diverse and comprehensive product range.

An excellent opportunity has been created for an individual to make a positive contribution to the company's future. Reporting to the Finance Operations Director, this new role embraces the daily running of the Treasury function, as well as the responsibility for monitoring divisional cash and balance sheet control, managing foreign currency, in addition to ad-hoc financial investigations.

Candidates should be qualified accountants, probably aged between 25-35. Previous treasury experience would be an advantage but not a necessary pre-requisite. More importantly, the candidate should possess the personality and self motivation to succeed within this progressive environment.

Please apply directly to Ingrid Poynton at Robert Half. Freepost, Walter House, Bedford Street, 418 The Strand, London WC2R OBR. Telephone: 01-836 3545 or evenings on 01-995 2960. Alternatively, fax your details on 01-836 4942.

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# **FINANCE DIRECTOR** AN INTERNATIONAL ROLE

c.£40,000 + bonus + car + benefits

based Bracknell

The Expandite Group, part of the Speciality Chemicals Division of the international Burman Oil Pic., is a leading supplier of joint sealing and waterproofing products for the building and construction markets. It has operating companies in ten countries worldwide and joint venture

interests in two others.

As Expandite's Finance Director you will be responsible for the international finance function, with the particular challenge of ensuring optimum financial services to complement marketing and production

Success will be achieved through influencing the financial managers and senior executives of the separate companies and by providing a vital link between them and the Division's central finance department. Your remit will therefore span long-range strategic planning and short-term budgeting; foreign currency reporting and accounting translation.

The breadth of the role demands at least 10 years' post-qualification experience in profit-orientated manufacturing industry, including international company exposure, ideally gained in the sphere of speciality chemicals or construction. Additionally, you will have been active in the design and implementation of computerised management and financial control systems.

Remuneration, fully commensurate with your conjusting includes a serior of 6.540,000 p. 3...8

seniority, includes a salary of c.£40,000 p.a., a performance-related bonus, fully expensed quality car and the excellent benefits associated with a position of this status. Prospects of further career development within the Group are excellent.

Please apply in writing, with a full c.v., to: Brent Thomas, Personnel Director, Burmah Speciality Chemicals Limited, Burmah House, Pipers Way, Swindon, Wiltshire SN3 1RE Telephone 0793 486831



SPECIALITY CHEMICALS LIMITED

# Finance Director

## Cheshire

£30,000 + Car

Our client is an autonomous £12 million turnover subsidiary of a major U.K. plc, providing a specialist contracting service to a wide range of fast moving businesses. They are a long established company and have built a strong reputation based on high quality

They now seek to appoint a Finance Director who, reporting to the Managing Director, will assume full responsibility for finance, administration and information technology. Particular emphasis will be placed on the design and implementation of new computerised financial control systems. As a member of the executive team, the individual will be expected to make a significant

contribution to the commercial direction of the

The successful candidate, aged 27-35, will be ambitious, highly motivated and able to demonstrate a track record of achievement gained in a commercial environment. Computer literacy, from PCs to mainframe systems, and well developed personal skills are vital in order for the individual to meet the challenge of this exciting opportunity. Interested applicants should write enclosing a

comprehensive CV, quoting reference 653, to Alan Dickinson ACMA at Michael Page Finance, Executive Division, Clarendon House, 81 Mosley Street, Manchester M2 3LQ.

Michael Page Finance

International Recruitment Consultants London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Newcastle-upon-Type Glasgow & Worldwide

# **₩** Wickes **Operational Review**

c£25,000 + Car

Wickes Plc is one of Europe's largest sellers of timber, building materials and associated home improvement products and services. In recent years they have shown record profits and the group is continuing a major store expansion programme to sustain their growth both in the UK and Europe.

You will join a small corporate team, based in Harrow, and be responsible for the review and evaluation of the operating systems of UK subsidiaries. Reporting to the European Audit Manager, your objective will be to strengthen management controls and to identify additional profit opportunities. The position is seen very much as a stepping stone, and you will be encouraged to assume a more senior

role within the organisation in the next eighteen

The successful candidate is likely to be a recently qualified ACA, preferably from a large international firm. The position demands a committed individual, self-motivated and ambitious, with a strong sense of initiative and commercial acumen this opportunity requires a team player as well as a

If you feel you have the ability and drive to succeed in a dynamic and commercial environment please telephone Tina Shortman on (0753) 856151, or write to her at Michael Page Finance, Windsor Bridge House, 1 Brocas

Street, Eton, Berkshire SL4 6BW.

London

Michael Page Finance



#### FINANCIAL MANAGER

The ITM Group, which has a variety of companies in sub-Saharan Africa seeks a qualified and experienced accountant who will report directly to the Regional Group President responsible for the Group's manufacturing, agricultural and distribution activities in that area. He/She will be expected to travel frequently within the are

The appointee will be responsible inter alia for the financial supervision of the Group's subsidiaries, financial analysis of their present and future activities, regional Group consolidation, negotiation of bank facilities and tax

Candidates should have at least 10 years post qualification experience and have operated for part of this time at top management level. Working experience in Africa will be

The initial employment contract will be for 2 years and is renewable by mutual agreement. An executive house with swimming pool, a company car and a range of fringe benefits are provided. A generous remuneration package will be negotiated with the successful applicant.

Please reply enclosing a full C.V. to:-

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#### MANAGEMENT ACCOUNTANT

business environment.

If you do and you are also a qualified accountant aged between 25 to 35, you are invited to apply to the high profiled MANAGEMENT ACCOUNTANT position. You can expect to join a progressive Company which righly rewards individual performance and achievements. Candidates carrently eating less than £25,000 p.a. will not be considered as having the necessary experience. Send your CV today to:

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Call: Stephen Price 01-948 0666.

# GROUP FINANCIAL CONTROLLER

# Sustain our growth, influence our development

£50,000 +

Assets in excess of £1.25 billion, thirty UK and four overseas locations, a sustained growth record and an expanding sphere of influence - just a few indications of the quality of our client's profile in the financial services sector.

The post of Financial Controller for this Group will demand that you adopt a participatory role in the Group finance function, working closely with the heads of finance of the Group's diverse operating companies. Your top-level financial and management skills will guide the development of co-ordinated financial strategies and influence the structure of the Group as a whole.

Reporting to the Group Finance Director, your primary responsibilities will be the co-ordination of the finance function throughout the Group, the provision of consolidated financial information, financial control of the central Group function, and Group taxation planning and compliance.

A qualified Accountant, you will have at least ten years' financial accounting experience and are probably at Group Controller level within a smaller organisation at the moment. A background of significant financial experience at a senior level in a similarly-sized Group would also be suitable. Familiarity with the insurance

This is a unique opportunity to use your management, technical and organisational skills to guide the further achievements of the Group. For the right individual, this challenge will provide a remuneration package in excess of £50,000, dependent on experience and qualifications, together with superb executive benefits.

sector would be an advantage, but not essential.

In the first instance, please write, including career details, to The Confidential Reply Supervisor, Ref. 7221, Kingsbourne Advertising, Kingsbourne House, 229-231 High Holborn, London WC1V 7DA, clearly indicating the names of any organisations to whom your application should not be sent.



KINGSBOURNE **ADVERTISING** 



#### PROVIDENCE CAPITOL INTERNATIONAL LIMITED INVESTMENT ACCOUNTANT

THE COMPANY

Providence Capitol International Limited specialises in providing Investment Plans to British expatriates worlwide. The company, based in Guernsey, is part of a Group whose worldwide assets run into several billion pounds. Its parent company is the South African Mutual life Assurance, the largest life assurance company in South Africa.

THE POSITION

We are seeking to employ an Investment Accountant with responsibility for all investment controls, ranging from agreement of the investment accounts to the underlying securities and fund pricing records, to the control of monies transferred to and from policy holders. This is a new position created by the growth of the company and increasing sophistication of investment activities. The position has clearly defined promotion propects.

It is envisaged that the successful applicant will be aged between 23 - 30 years, with minimum of 3 years accounting experience. Prior investment experience is less important than good basic accounting skills. Full professional accounting qualification would be a distinct advantage, but applications are invited from partially qualifiec candidate. Maturity and reliability with a methodical, well organised approach to work are essential.

An excellent commencing salary will be offered to the successful candidate, together with a range of benefits normally associated with a large company.

For full details please contact, in the strictest confidence, Mrs. Ann Brooks, Providence Capitol International Limited, PO Box 121, Rohais, St. Peter Port, Guernssy. Tel: 0481 726726

# **EUROPEAN FINANCIAL** CONTROLLER

c.£40,000 + substantial bonus and prestige car

The Midlands



With sales and marketing operations already established throughout Europe, this highly successful electronic component division of a major US Multinational is now setting up a UK manufacturing base to further support their European expansion.

19 mg

This has created a new position for a strategically thinking financial controller aged under 45 who, while playing a key role in the company's development, will still be prepared to adopt a hands on approach. Reporting to the European Vice-President, and working with the local country controllers, strong communication and presentation skills will be essential, as will commercial awareness gained in a quarterly driven

The opportunity for further career development is excellent and an extremely attractive salary and benefits package is being offered which includes relocation to an attractive part of The Midlands. To discuss further, please telephone Tony Williams on 01-629 8677 until 8pm daily or send your C.V. marked for his personal attention.

MANAGEMENT RECRUITMENT SPECIALISTS.

# YOUNG QUALIFIED **ACCOUNTANT**

The opportunity to join a major investment management firm.

This is an opportunity for a qualified accountant with 1-3 years' post qualification experience to join one of the UK's leading investment management firms. You will report to the Managing Director and your primary function will be to ensure that all the firm's activities are conducted within the regulatory procedures laid down by the Financial Services Act. This will entail the identification of control weaknesses in the investment operation and the establishment of

appropriate solutions. Although familiarity with investment management practice would be an advantage, more important are well developed interpersonal and communication skills,

supervisory capabilities and an alert, logical and resolute approach. The position is viewed as a developmental one and has arisen through the promotion of the present jobholder who will be available for advice

during the early stages of your tenure.
A competitive salary and benefits package is offered as well as a wide range of future career development options within this diverse group. If you would like to discuss this position in greater detail, please telephone Michael Thompson on 01-222 7733 or write to him at:- John Sears and Associates, Executive Recruitment Consultants, 2 Queen Anne's Gate Buildings, Dartmouth Street, London

and Associates

A MEDIBER OF THE SMCL GROUP

# **Group Tax Manager**

ATTRACTIVE PACKAGE, WEST COUNTRY

Wessex Water is a profitable, growing business which is emerging as one of the West Country's most substantial public companies, having a tumover in excess of \$130 million. With headquarters in Bristol, it operates within a large economic region that is generally prosperous and provides water services to more than 2 million people in domestic, industrial and commercial premises. Puture priors include the development of this core business and expansion into new areas of commercial activity. The new environment offers a significant challenge for the tax function.

Reporting to the Director of Finance, you sponsible for all tax related

mains along with the Group, to activities will include tax planning, compliance and accounting, in addition to the coordination of tax advice from professional advisors.

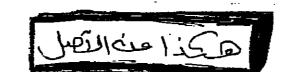
A gualified accountant or member of the Institute of Toxoston, you will have a minimum of three years tax experience gained within a large commence gained within a large comment organisation or as a specialist manager in the protession and will be able to demonstrate a record of practical centrorance a record or process; achievement. You will posses a broad innowledge of your subject, including VAI and PAYS, to the level of identifying areas requiring specialist input. On the personal side, you must be determined to take responsibility and use initialive in

this important role. The package includes a competitive ackay, bonus, company car and relocation assistance it appropriate.

Please send CVs, including a doylime lephone number and indication of resentone number and indication of present remuneration, to Jordes Walden, Ref. J.W.55., Coopers & Lybrand Executive Resourcing Limited, 65 Gueen Square, Statol BS1 AJP.

Executive





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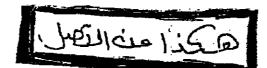
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# Financial Controller

#### FMCG company

Our client is the UK subsidiary of a US tolletries company based in Slough. Supplying blue chip retailers with skin and hair care products, the company has established a reputation for its brands in a highly competitive market. In the UK the company is still relatively new (£2 million plus turnover) but with ambitious plans for the future: The UK is considered the base for an expansion into Europe and the US parent has guaranteed a commitment for

In order to spearhead this growth a strong management team has been put in place. A Financial Controller is now sought to complement the other disciplines. The

#### to £35,000 + car

position will involve implementing a new computer system and introducing stringent financial controls in the short term with a responsibility for more strategic work later on.

Candidates should be young and enthusiastic qualified accountants with an interest outside the purely financial. Sound technical skills and a hands on approach are essential.

In addition to the basic salary, candidates will receive a package which will include a company car, private health care and a contributory pension.

Please write, in confidence, to Kelly Iriondo at the address below, quoting reference SHA.1402.

# **Stoy Hayward Associates**

# MANAGEMENT CONSULTANTS, EXECUTIVE SELECTION DIVISION, 8 BAKER STREET, LONDON WIM 1DA

# **GROUP ACCOUNTANT** INTERNATIONAL OPERATIONS

M25 North £35-40K package + car + benefits

Our client is one of the world's most successful companies in its field providing vehicle hire services to business and leisure clients worldwide. Within Europe it is possibly the fastest growing of the "Big 4" in the business. A vacancy has arisen out of a reorganisation brought about by continued rapid growth.

A candidate is sought to join the Senior Management Team and contribute significantly to the development of the accounting function in the UK and Europe. Assisted by a staff, and reporting to the Finance Director, the successful candidate must liaise closely with profit centre controllers and functionally with country

controllers. Qualified accountants, probably over 30 years, must be technically sound and ambitious to progress within this growing group, who invest heavily in management development. A capacity to cope with and manage change is essential. The role will entail complete responsibility for statutory and period accounts as well as budget consolidation, cash management, treasury haison and tax. Staff management ability

Should the position be of interest to you, send your CV to James Forte, quoting reference 0205, enclosing remmeration details, day and home telephone contact numbers.

Excellent Salary + Benefits

Cash management, budgeting and strategic planning are other important features and as a key member of the

We are looking for a qualified chartered accountant

who can demonstrate a strong track record of achievement at senior management level within a successful industrial or

**QUALIFICATIONS** 

virtually all aspects of the business.

near team your contribution will impact on

+ 2.9 Granada Scorpio

# Peat Marwick McLintock

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# **Financial Director** Computer Systems Company

#### Sheffield

- THE COMPANY We are a leading computer systems company within
- a Workhylde Computer Services Group.

  We have a superb record of growth and profitability.

  We have a stable and experienced management team.

#### THE POSITION

- Reporting to the Managing Director you will have responsibility for the financial, administration and In-house computing facilities.

  As part of the senior management team you will be
- responsible for the financial reporting requirements of a subsidiary of a Public Limited Company together with responsibility for company secretarial matters.

mercial organisation. You will have a strong character and ambition which should be supplemented by first class interpersonal skills, combined with an innovative, commercially aware and forward looking approach.

Please reply in writing enclosing full c.v. to the Managing Director



220 to 224K + bonus + other outstanding benefits • Central London/City

As one of the largest UK companies, B7 offers immense scope for accountants to advance very rapidly indeed. BT's mix of high technology and rapid growth activities, combined with more mature businesses, gives accountants a unique opportunity to develop their skalls within an exciting and diverse environment.

At BT Group Headquarters we're seeking to recruit several Financial Accountants, labels to take responsibility for the review of financial and management reporting by specific BT Operational Divisions. These will be qualified accountants, although finalists with a proven examination record will be considered.

Milhough based within Group HD, you'll need to spend time at the Divisional locations to establish good working retained and knowledge of its operations, procedures and special requirements. Your too will then locus on obtaining financial returns, preparing management reports within

returns, preparing management reports within

established timescales, reviewing them critically, consolidating and reporting with quantative explanations for variances on forecasts and outsans. Besides regular reporting on your divisional and functional areas, there will be ad-hoc briefings to prepare for seasor management and an innovement in the on-going development of the Gooty's Consolidation Systems. With the accounting techniques, database tools and desk top publishing facilities being employed at BT, its no exaggeration to say you'll be working at the forefront of your field-literally the leading edge of Financial Accounting.

Coupled with outstanding management training which BT provides, the chance to stretch your skills and expand your horizons couldn't be better. The ability to work under pressure, and as part of a team, is essential, as is computer literacy.

The rewards are as attractive as the career prospects. A salary between £20K and £24K (depending on qualifications and experience) is on offer together with a pension scheme; subsidised restaurant; sports facilities fincluding squash, badminton, a gym and various chibs); share option; performance-related pay and bonuses; interest fire season ticket loans; and staff discounts.

Please write with your CV to:

Maureen Willis, British Telepoon Management Recruitment Unit, 3rd Floor, Heddon House, 2-4 Fizzroy Street, London W1P 5AD. For more information please contact Denis Conroy on 01-356 4031. Please quote ref. F55.

NO AGENCIES.

# **Financial Controller**

#### CITY, TO £40,000 + BANKING BENEFITS

This is on exciting opportunity for on experienced financial manager to establish and develop the finance function for an institution setting up a securities business in London. The Company, on associate of a leading securifies house, is opening in March, initially to conduct agency business in Japanese dollar warrants, equities and bonds. As part of its current recruitment it seeks a Financial

Controller to take full responsibility for the finance and back office functions. Reporting to the General Manager and leading a small team, you will manage all the Company's accounting

activities including financial and management accounts, budgets toxulion, and ensure compliance with TSA and Companies Act regulations. You will also oversee the settlements function, other office administration activities, and the future development of the computer systems which are in

Preferably a qualified accountant, you should have accounting and compliance experience gained in a banking or securities environment. You should be flexible and confident that you can meet the challenge of a start up situation and be capable of

developing as a key member of the monogement team as the organisation expands.

Résumés please, including a day time telephone number to Robin Alcock quoting Ref RA637, Coopers & Lybrand Executive Resourcing Limited, Shelley House, 3 Noble Street, London FC2V 700.

Executive Executive Coopers Resourcing & Lybrand



# **Finance** Director

Midlands c £45,000 Package

Federal Express Priority Services Division is part of the US Federal Express Corporation which is the world leader in express delivery. The Priority Service Division is an integral part of the delivery. The Priority Service Division is an integral part of the UK operation running a range of domestic and business guaranteed express delivery services with an outstanding reputation for offering the highest quality of service. Due to continued growth of the business they now seek to recruit a finance professional of the highest calibre to guide the division through this exciting phase of the development by implementing and managing all controls in a fast moving environment. Reporting to the Managing Director the key responsibilities will be to ensure tight financial control and management. monitoring and reviewing of results and advising the Managing Director on all financial performance, plans and strategies as a senior member of the executive board. Ideally aged 35-45 you will be qualified with a minimum of eight years post qualification experience at least at Financial Controller level within a large exercise exercise of the property of the polyticities. It is assential that services organisation with multi-site activities. It is essential that you have well developed communication skills and are commercially aware. The very attractive package includes an executive car and other benefits usually associated with a large group. Relocation assistance will be given where appropriate.

Male or female candidates should submit in confidence a comprehensive c.v. or telephone for a Personal History Form to, G.J. Deakin, Hoggett Bowers plc, 13 Frederick Road, Edgbaston, BIRMINGHAM, B15 1/D, 021-455 7575, Fax: 021-454 2338, quoting Ref: B18114/FT.

# ggett Bowers

HIRMINGHAM, BRISTOL, CAMBREDGE, CARDIFF, EDINBURGH, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, ST ALBANS, SHEFFIELD, WINDSOR and EUROPE A Member of Blue Arrow plc

# Divisional **Finance Director**

#### Surrey based

- Circa £30,000
- + Car
- + Bonus
- + Share Options

Our clients are a public industrial holding group engaged in a wide range of manufacturing and engineering activities. In addition to organic growth the group actively pursues a policy of acquisition of niche manufacturing businesses which are integrated and operated within a proven financially

Business performance of each division is closely monitored by a small team led by a Chief Executive.

Reporting to the Chief Executive you will be responsible for the financial monitoring and commercial support of a group of companies, all of whom are well known in their own fields of activity.

This is an exciting opportunity to join a growing group in its formative stage and share in the experience provided by the significant growth plans.

This high profile role will appeal to Qualified Accountants, probably in their late 20's who are commercially aware and possess good inter personal skills. Some travel will of course be involved with the position.

Please telephone Robin Rotherham on 01 541 5580 or write enclosing curriculum vitae and quoting reference no. 8362 to the address below.

Accountancy OPTIONS •

6-8 Thames Street, Kingston-upon-Thames, Surrey KT1 IPE

# The stepping stones of Internal Audit

Swindon:

c.£22,500

As members of the worldwide Burmah Group of Companies, Castrol (U.K.) Limited and Burmah Petroleum Fuels Limited are responsible for the UK manufacture and marketing of the famous range of Castrol lubricants and the active marketing of petroleum fuels. Castrol (U.K.) Limited also incorporates responsibility for car care products, marketed by Spectra Brands Plc. Our Internal Audit Department,

which provides a service of excellence to both companies, has an enviable record of providing the stepping stones from which young, able

accountants can rapidly advance their carears into middle management and beyond within the organisation.

To be considered you will need to be ambitious, with two years' post qualification experience (not necessarily of the Audit function), or alternatively possess sound commercial experience gained prior to

The appointment offers an excellent opportunity to join a highly successful group with an annual turnover in excess of £300m and employing around 2000 people. Based at the company's Swindon Head Office the package embraces a salary c.£22,500, free life assurance, first-class pension scheme, superb staff restaurant, free car parking, sports facilities and generous relocation assistance if appropriate. For an application form, please telephone Liz Patterson on 0793 512/12, extension 2984 or write to her at the

Personnel Department, Castrol (U.K.) Limited, Burmah House, Pipers Way, Swindon, Wiltshire

SN3 1RE, quoting Reference Number CR11. All applications should be returned by 14th December, 1989. Interviews can be arranged in Swindon er London.







XII

# Cost and Performance Analysis for our nationwide logistics operation for the 1990's.

With a distribution fleet of 600 vehicles and a nationwide network of 30 warehouses, British Telecom is squaring up to the challenge of developing the most cost-efficient, end-to-end distribution operation for 1990's.

A key role in this mission will be played by the Logistics Division's Cost & Performance Analysis Manager, preferably an ACMA-qualified Accountant with at least 3 years' post-qualification experience and an impressive 'hands-on' track record of achievement in industry, ideally manufacturing or distribution.

# management accountant

Based Swindon, Wiltshire.

c.£32K+Car

+ Relocation Expenses

and other large company benefits

Employee Share Scheme

TELECOM

The central strand of your brief will be to develop and use an activity based costing system for cost control and continuous performance improvement, This is a new development which will give you the opportunity to assemble a top quality team to support you.

You will have a major influence on BT's performance, which is why you'll need to be a persuasive communicator

with an agile intellect and have the ability to identify relevant data for modelling the business. Using the latest concepts and techniques you will advise line managers of opportunities for cost and performance improvements in the context of the business need to ensure the delivery of materials and products to the point of end-use, quickly, efficiently and

cost-effectively. Can you deliver? Does such a responsibility attract you? Do you have the interpersonal skills to forge strong working relationships with operational managers? If so you can expect a rewarding future, not only in the shape of salary and large company benefits, but also in terms of the scope for achievement and the prospects for further career development within BT. An added bonus is the lifestyle offered by the Wiltshire Countryside around our Swindon base. A relocation package is available if appropriate.

Please write with your CV to Ann Murray, British Telecom, UK Logistics, Room 7NA, Weston House, 246 High Holborn, London

WC1V 7DQ. Fax: 01-831 6420. For more information about the post please ring Ron Marshall, Financial Controller, on 01-728 3765. Please quote ref. F54.



# HEAD **OF** FINANCE

c \$65,000 + car

Highly respected, long established and progressive, our client is a fast growing firm with over 50 partners and an enviable portfolio of national and international

As a key member of the management team, the Head of Finance will be responsible to the managing partners for all areas of finance and IT. Emphasis will be on the optimisation of management information and cash resources and providing strategic advice on financial planning and control, taxation and further IT

Preferably aged 35/45, applicants should be qualified accountants with extensive IT experience who can demonstrate success in a similar role in a service industry. Knowledge of Partnership Accounts and the Legal Profession, although not essential, will be a distinct advantage. Diplomacy, an ability to obtain results and strong, yet sensitive, communication skills are vital. Status will be equivalent to partnership level and a flexible package will be negotiated.

Please write, enclosing a full career/salary history and daytime telephone number, to David Tod BSc FCA quoting reference D/885/F.

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No. 2 Paul

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PARTY STREET

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# FINANCIAL CONTROLLER

Abingdon

The Lansdown Estates Group owns and manages Milton Park, a major business estate close to the A34 and M4. As well as the usual activities associated with property management and development, the Group has two subsidiary distribution and storage businesses providing services to third parties. Lansdown is a substantial and profitable business within the MEPC plc Group and the Directors are actively pursuing new opportunities for expansion. It is a lively, entrepreneurial

This appointment will head up an established accounting function using PC based systems.

c£30,000 + Car

There is a need to enhance financial reporting and the Controller will be a key member of the small management team.

The appointment offers a young accountant the opportunity to contribute on a broad front. including advising on acquisitions and the development of new services.

Candidates must be qualified and computer literate. Although property related experience will be useful, commercial acumen and a confident personality are essential. Long term prospects within the Group are excellent.

To apply, please send a CV to David Webb. quoting ref: NJB/2.



# Financial Controller Northern Europe

Woking, Surrey

Advanced Micro Devices, Inc., a \$1.1 billion California based company is the world's largest exclusive manufacturer of integrated circuits. AMD operates in all the world's major electronics markets

An exceptional opportunity has arisen for a Financial Controller to assume total responsibility for the financial reporting, customer and business support activities of the UK and Scandinavian operations.

As a key member of a high calibre management team responsibilities will include:

- \* Accounting control and financial analysis ★ Policy formulation and business advice to sales
- ★ Continued design, implementation and management of information and corporate control systems

★ Controlling credit and cash

c £ 35,000 + Car + Bens.

management, providing tax liaison advice and performing treasury and banking functions Staff guidance, training and measurement of productivity performance.

The successful candidate will be a qualified accountant and/or MBA, aged 30-35 with several years' experience in the Hi-Tech sector, ideally in a US reporting role. Essential personal qualities will include strong interpersonal skills, a high level of commercial acumen, strength of character, drive and ambition. International career development opportunities within this organisation are excellent.

ested applicants should submit their CV's to Sajid Baloch, MBA, Michael Page Finance, Cygnet House

45-47 High Street, Leatherhead Surrey KT22 8AG or telephone (0372) 375661.

Michael Page Finance **KPMG** Peat Marwick McLintock



Executive Selection and Search Abbots House, Abbey Street, Reading, Berkshire RG1 3BD

#### **Director** Finance and S.G.WARBURG & CO. LTD. **Administration**

c £32,500+bonus+car

Our client is the International Operations of a Canadian Group involved in the merchandising side of the entertain-

With a current turnover in excess of £18 million, the international Operations organisation requires a new Director of Finance and Administration. This position is a key member of the senior management team, and reports directly to the Vice President in charge of International Operations.

The successful candidate must be an experienced qualified accountant, and will have prime responsibility for all financial and administrative affairs including: counsel and advice on strategic and operational plans for international operations; co-ordinating and preparing financial reporting for the international operations; and planning, directing and controlling the financial and administrative systems for the international operations.

Ideally aged 30 - 35, the remuneration will include a performance related bonus, a car and other benefits.

If you believe you have the interest and the qualifications to meet this exciting opportunity, please send your CV and a covering letter (including day-time telephone number), quoting ref: ST126 to: J. David Preston

#### ROBSONRHODES

Chartered Accountants

Management Consultancy Division 186 City Road, London EC1V 2NU

# **Legal Appointments Advertising**

Appears every Monday

for further information call 01-873 3000

Elizabeth Arthur ext 3694

CORPORATE FINANCE

We are seeking graduate ACA's with the potential to make a significant contribution to our expanding domestic and international corporate

The ideal candidates will have passed PEI & II at the first attempt and should either be newly qualified or have some post-qualification experience within the profession. Corporate finance experience and/or fluency in a foreign language. although not essential, would be an advantage.

Self-motivation, effective communication skills and an ability to assume responsibility quickly in a stimulating environment are important.

Career prospects, both in the UK and overseas, are excellent and the position offers a competitive salary, together with incentives and a full range of banking benefits.

Applications, enclosing a curriculum vitae, which will be treated in strict confidence, should be sent to:-

Mrs. A.J. Sprules, Director, S.G. Warburg Group Management Ltd.,

2 Finsbury Avenue, London EC2M 2PA.

Fax: 01-382 9417.

#### 

A.C.A.

Merchant

Banking

£27-30.000

Benefits

Top LIK Merchant Bank with offices based around the world seeks a Qualified Accountant with two years post qualification experience in the financial services industry. Working in a small team and reporting to the Divisional Controller duties will include:-

- Maintaining and developing new executive information
- Producing divisional management accounts
   Examining the development of performance measurement
- lechniques within divisions Development of methods for divisional results analysis

in addition to the A.C.A. qualification the successful candidate will have a sound academic record together with proven analytical and communication skills and excellent systems knowledge. This is an excellent opportunity for a young, career orientated individual to work at junior management level and develop within one of the most respected forces in the City.

For further information please telephone or send your CV to Valerie Grassham or Tony Leggett at Joslin Rowe Associates (Financial Recruitment Consultants) Bell Court House, 11 Blomfield Street, London EC2M 7AY. Tel: 01-588 7287.

# **Business Development** Manager

Europe

South East · c. £40k Negotiable

As a market leader in the building | products manufacturing sector, our client is keen to expand its activities in Europe through acquisition.

Reporting to the Corporate Development Manager, it will be your responsibil ity to identify suitable target companies which satisfy the criteria and strategic requirements agreed by the Board. The job will involve a highly pro-active approach. requiring at least 50% of the time being spent abroad, mainly in France, Germany and Spain. It is essential therefore, that you are fluent in a second European language.

Apart from identifying, researching. approaching and maintaining contact with target companies, you will liaise with bankers and other professional advisers in the UK and on the Continent with the objective of initiating and participating purchase negotiations.

You are probably a graduate, perhaps an MBA, working in a Business Development or Corporate Finance department in a large company, merchant banking/ stockbroking or professional environment.

In addition, you will need to demons-trate initiative, diplomacy persistence and an ability to work on your own. This is a high-profile position in a dynamic organisation which offers considerable career potential within the Group.

The salary is negotiable but the package includes a quality car, stock option scheme and other attractive benefits.

Please write, in strict confidence, enclosing CV giving present salary and with details showing your relevance to this position, to Colin J. Hooker FCA, quoting ref: 477. DBA Associates Limited,



Clerks' Well House, 19 Britton Street, London ECIM 6NQ. Tel: (01) 250 0003

#### LILLESHALL plc - GROUP ACCOUNTANT NEWBURY, BERKSHIRE.

Age 24-28 To £22,000

Plus car, bonus and other benefits Lilleshall plc is a rapidly expanding quoted holding company with subsidiaries in industrial distribution and building and engineering

Lilleshall is now seeking a Group Accountant to report to the Group Financial Controller. Responsibilities will include financial reporting, management accounting and budgetary control. Other vital work will include the evaluation of target companies

and the integration within the Group of successful acquisitions. Candidates, male or female, will be recently qualified chartered accountants. This is an ideal opportunity for a young, ambitious individual, making their first move outside the profession, to make a broad contribution to the successful management team in a growth orientated environment. Opportunities will exist for promotion within the Group including a line role in an operating

Please send full curriculum vitae to Stephen Rowland, Group Financial Controller, Likestall plc, Cld Drummers House, 18 Northcroft Lane, NEWBURY, Berkshire.RG13 1BU

